眾安在綫財產保險股份有限公司

ZhongAn Online P & C Insurance Co., Ltd.*

A joint stock limited company incorporated in the People's Republic of China with limited liability
And carrying on business in Hong Kong as "ZA Online Fintech P & C"

(Stock Code : 6060)

INTERIM REPORT 2019

科技驅動金融
做有溫度的保險

众安保险
ZhongAn Insurance

* For identification purposes only

Contents

Corporate Information

Board of Directors

Executive Directors

Yaping Ou *(Chairman of the Board)*
Jin Chen
Hugo Jin Yi Ou

Non-Executive Directors

Xinyi Han
Jimmy Chi Ming Lai
Guoping Wang
Xiaoming Hu
Fang Zheng

Independent Non-Executive Directors

Shuang Zhang
Hui Chen
Li Du
Yifan Li
Ying Wu

Supervisors

Yuping Wen
Baoyan Gan
Haijiao Liu

Audit Committee

Hui Chen *(Chairman)*
Guoping Wang
Yifan Li

Risk Management Committee

Fang Zheng *(Chairman)*
Xiaoming Hu
Ying Wu

Remuneration and Nomination Committee

Shuang Zhang *(Chairman)*
Yaping Ou
Li Du

Investment Strategy Committee

Jin Chen *(Chairman)*
Xinyi Han
Jimmy Chi Ming Lai
Hugo Jin Yi Ou

Headquarters and Principal Place of Business in the PRC

219 Yuanmingyuan Road
Shanghai
PRC

Registered Office

4–5/F, Associate Mission Building
169 Yuanmingyuan Road
Shanghai
PRC

Principal Place of Business In Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

H Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Joint Company Secretaries

Yongbo Zhang
Ella Wai Yee Wong

Authorized Representatives

Jin Chen
Ella Wai Yee Wong

Legal Advisors

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
CM Law Firm

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Principal Banks

ICBC Shanghai Branch Sales Department
CITIC Bank Shanghai Branch Sales Department

Listing Information

Stock Code: 6060

Company Website

www.zhongan.com

Management Discussion and Analysis

Staying true to our mission "Empowering the finance business with technologies and providing insurance services with a caring hand", and continuing with our two-winged growth strategy of "Insurance + Technology", ZhongAn has been committed to redefining the insurance value chain through technology by focusing on the internet life on the customer end, so as to meet the diversified protection demands of our customers and create value for them. Meanwhile, we proved our technology strength in the operation of insurance business, and aim to enable the internet insurance industry chain by exporting Insuretech and facilitating digital transformation of the industry players.

In the first half of 2019, against the backdrop of a challenging Chinese macro-economy and finance environment, we continued to pursue growth with quality and carefully targeted our businesses. Driven by our lifestyle consumption, auto and consumer finance ecosystems, the total GWP for the first half of 2019 grew by 14.5%, showing a slowdown in growth as compared with that of 2018.

For the first half of 2019, benefitted from the outstanding performance of the A-share market, our total investment yield (non-annualized) was approximately 4.0%, with an investment income of approximately RMB757.9 million.

Due to the optimization of business portfolio and improvement of operation efficiency, the underwriting loss for the first half of 2019 has significantly narrowed to approximately RMB492.2 million, representing a year-on-year decrease of approximately RMB376.0 million or approximately 43.3%, and the combined ratio for the first half of 2019 has improved from approximately 124.0% for the first half of 2018 to approximately 108.3%, representing a year-on-year improvement of approximately 15.7 percentage points. In particular, the expense ratio for the first half of 2019 was down by approximately 25.4 percentage points. In the first half of 2019, the Company recorded an overall profit, with the net profit attributable to owners of the Company amounting to approximately RMB94.5 million (first half of 2018: net loss attributable to owners of the Company was approximately RMB655.8 million).

With respect to technology export, we continued to focus on the Insuretech segment, and revenue from technology export for the first half of 2019 amounted to approximately RMB104.6 million, with over 170 contracted customers. Our strategy to commercialize our insurance technology strengths in overseas markets has started to show positive results. We have entered into cooperation agreements with local leading insurance companies and O2O platforms in Japan as well as Southeast Asian countries, with an aim to supporting them to develop innovative digital insurance business with our leading Insuretech strengths. In particular, we exported technology strengths to SOMPO, one of the top three property and casualty insurance companies in Japan, and NTUC Income, the largest comprehensive insurer in Singapore, to help them realize digital transformation. We are also collaborating with Grab, a leading O2O platform in Southeast Asia, to establish a digital insurance distribution platform to explore the online insurance distribution business in the region.

Business Review

Our Company

As the first Internet-based Insuretech company in China, ZhongAn embraced the strategy of integrating technologies into the whole insurance value chain. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach (i.e. the "B2B2C" model), we empowered the platforms operated by our ecosystem partners through our technology strengths via focusing on the internet life on the customer end, in order to meet the diversified protection demands of customers and create value for them.

ZhongAn recorded a total GWP of approximately RMB5,897.1 million in the first half of 2019. Driven by our lifestyle consumption, auto and consumer finance ecosystem businesses, the total GWP for the first half of 2019 recorded a year-on-year increase of approximately 14.5%, ranking 14th in the PRC property and casualty insurance market, and remained 1st in the PRC internet non-auto property and casualty insurance market in terms of GWP for the six months ended June 30, 2019. In the first half of 2019, we continued to pursue growth with quality, chose our business focus carefully and optimized our business portfolio, resulting in a slowdown in GWP growth as compared with that of 2018. It is worth mentioning that we have enhanced strategic cooperation with our ecosystem partners (for instance, Ant Financial) to acitively explore product innovation and upgrade, leading to approximately 81.8% GWP growth of the lifestyle consumption ecosystem business in the first half of 2019. The GWP generated from the core products of the health ecosystem, namely Personal Clinic Policy (尊享e生) and Healthcare Ecosystem (好醫保) of Alipay Insurance, recorded a year-on-year increase of nearly 50% in the first half of 2019. Meanwhile, we reduced our focus on non-core businesses (including some of our group health insurance and travel ecosystem business), resulting in negative GWP growth in the health and travel ecosystems in the first half of 2019. The GWP generated from each of the health, consumer finance, auto, lifestyle consumption and travel ecosystems respectively accounted for 24%, 29%, 10%, 23% and 11% of the total GWP of the Company for the first half of 2019.

For the first half of 2019, benefitting from the outstanding performance of the A-share market, our total investment yield (non-annualized) was approximately 4.0%, with an investment income of approximately RMB757.9 million, representing a year-on-year increase of approximately 118.3%.

Management Discussion and Analysis

Due to the optimization of our business portfolio and improvement of operation efficiency, the underwriting loss of the first half of 2019 significantly narrowed to approximately RMB492.2 million, representing a year-on-year decrease of approximately RMB376.0 million, or approximately 43.3%, and the combined ratio improved from approximately 124.0% for the first half of 2018 to approximately 108.3% for the first half of 2019, representing a year-on-year improvement of approximately 15.7 percentage points. In particular, the expense ratio for the first half of 2019 decreased by approximately 25.4 percentage points. In the first half of 2019, the Company recorded an overall profit, with the net profit attributable to owners of the Company amounting to approximately RMB94.5 million (first half of 2018: net loss attributable to owners of the Company was approximately RMB655.8 million).

In the first half of 2019, we provided services to approximately 348 million insured customers, among which approximately 58% were under the age of 35 with insurance policies per capita of 9.6 and premiums contribution per capita of approximately RMB16.9 (first half of 2018: the insurance policies per capita were 8.4 and the premiums contribution per capita were approximately RMB17.0).

Starting with shipping return policy, we continued to leverage our technology strengths to resolve deficiencies in the insurance business processes for providing customers with convenient and quality services and experience and to significantly improve the operational efficiency of the Company. For example, leveraging on our cloud-based core insurance system, we were able to adjust the computational power in a flexible manner according to fluctuations in the business volume, thereby demonstrating excellent scalability. In addition, the system adopts a module structure similar to LEGO bricks to promote innovation and the rapid rollout of our products. By implementing intelligent underwriting and automatic processing, we were able to achieve automation rates for our underwriting and claim settlement services of over 99% and 95%, respectively. Our intelligent commercial insurance platform has been applied to the health ecosystem and has connected 1,068 hospitals, and it can achieve direct connection with medical information databases with the authorization from the users, enabling substantially speedy claim settlement service and greatly reducing the costs associated with identifying corruption and fraud. The application of artificial intelligence has helped to significantly reduce the labor costs in customer service, with the proportion of artificial intelligence application for online customer service reaching approximately 70%, resulting in a decrease of approximately 61% in the number of online service staff.

ZhongAn ANswer (眾安精靈), an insurance robo-advisor on our proprietary platform with the application of artificial intelligence technology, has been in operation for a year. Since its launch in July 2018, the peak number of customers served within one day totalled approximately 0.3 million. With artificial intelligence technologies, such as in-depth learning and natural language processing, ZhongAn ANswer is able to understand human language via computers and addresses the insurance needs of the customers via dialogue interaction, thereby achieving sales conversion on our proprietary platforms. As of June 30, 2019, based on the study and processing of approximately 1,130,000 insurance problems and approximately 4,000,000 actual language messages, ZhongAn ANswer has established an insurance knowledge graph with over 100,000 entries and the first insurance intention identification model of the industry, with a recognition accuracy rate of over 94%, and a matching accuracy rate in respect of its latest question and answer engine of over 92%.

Over the past five years, with our strengths in business innovation, connection with cross-ecosystem partners, big data user profile and risk control, and flexible systems promoting quick response and agile iteration, we have been able to catch up with market demands, connect with our partners' systems in a flexible manner and provide the users with customized insurance coverage products, enabling us to maintain our distinctive competitive edges in the Insuretech segment and achieve sustainable business growth.

With respect to technology export, we continued to focus on the Insuretech segment, productize and export our advanced experience and technology strengths in the Insuretech business to domestic and overseas customers (including insurance companies and internet platforms) who intend to expand into the digital insurance sector, so as to facilitate digital transformation throughout the insurance industrial chain. Specifically, we provided standardized and platform-based products and solutions for insurance companies and internet platforms, joined hands with internet platforms to develop internet ecosystem-oriented insurance solutions and developed core digital insurance systems for insurance companies. Our revenue comprised of licensing fees, technology service fees and other charges using a SaaS model. Our technology export business will therefore benefit from the growth in the insurance business of our customers and achieve sustainable growth in revenue.

In the first half of 2019, we invested approximately RMB459.0 million in research and development activities, accounting for approximately 7.8% of the Company's GWP, and recorded income from technology export of approximately RMB104.6 million, representing a year-on-year increase of approximately 193.1%. We charged our customers technology service fees on a fixed rate or by applying a SaaS model (for example, charging at a certain percentage of income or according to user engagement).

In the first half of 2019, the number of contracted clients surpassed 170, and approximately 64% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules.

Regarding overseas markets, while being positioned as a cutting-edge technology service provider, we also exported or replicated our leading business models to overseas markets. Following our engagement with SOMPO, one of the top three property and casualty insurance companies in Japan, in the second half of 2018, we joined hands with NTUC Income, the largest comprehensive insurer in Singapore, in April 2019. We provided both insurers with the next-generation public-cloud-based distributed core insurance system and helped them realize digital transformation.

In addition, in January 2019, we entered into a cooperation agreement with Grab, a leading O2O platform in Southeast Asia, pursuant to which both parties have agreed to form a joint venture company to jointly explore the online insurance distribution business in Southeast Asia. In particular, ZhongAn shall establish the digital insurance distribution platform and provide back-office technology support for the joint venture company. Meanwhile, the joint venture company will join hands with insurance partners around the world to provide all kinds of customized insurance products for the millions of users of Grab in Southeast Asia by exporting sophisticated Insuretech solutions and leading business models in China.

In March 2019, we became one of the first batch of companies who were granted a "virtual bank" license by the Hong Kong Monetary Authority. As a non-bank applicant, the issuance of a "virtual bank" license represents recognition of our long-term efforts in developing Fintech strengths. We will also apply to the virtual bank business our insights of customers' behavior pattern gained through big data analysis and our connection with ecosystem partners.

We will continue to reach out to more potential clients in the domestic and overseas markets and export our insurance technologies and proven business models to more countries and regions. In addition, we will increase our investment in research and development in the Insuretech and Fintech sectors.

Management Discussion and Analysis

Financial Highlights for the First Half of 2019

The following table sets forth the profit/(loss) from each business segment for the first half of 2019. In particular, the insurance segment offers a wide range of online property and casualty insurance businesses; the technology segment provides information technology related business to its customers; and the other segments include entities other than the aforesaid segments, such as insurance brokerage, life science and virtual bank. The virtual bank segment will carry out virtual bank business in Hong Kong by integrating Fintech and the banking business, and was in the preparation stage during the Reporting Period.

Statement of Income by Segment for the Period ended June 30, 2019

RMB'000	Insurance	Technology	Others	Elimination	Total
GWP	5,900,508	—	—	(3,429)	5,897,079
Net premiums earned	5,917,713	—	—	(4,399)	5,913,314
Other revenues and other gains	46,565	104,635	50,974	(38,423)	163,751
Net profit/(loss)	319,693	(162,472)	(126,205)	3,067	34,083
Attributable to:					
– Owners of the Company					94,538

Due to the optimization of business portfolio and improvement of operation efficiency, the operating indicators of our underwriting business achieved significant improvement with a substantial decrease in underwriting loss.

The underwriting loss for the first half of 2019 was approximately RMB492.2 million, representing a year-on-year decrease of approximately 43.3%. The combined ratio of underwriting business decreased from approximately 124.0% in the first half of 2018 to approximately 108.3% in the first half of 2019, representing a decrease of approximately 15.7 percentage points as compared with that for the first half of 2018. In particular, the expense ratio decreased from approximately 69.8% in the first half of 2018 to approximately 44.4% in the first half of 2019, down by approximately 25.4 percentage points over the first half of 2018, while the loss ratio was approximately 63.9%, up by approximately 9.7 percentage points over the first half of 2018.

The decrease in expense ratio (especially the noticeable decrease in the channel fee) was attributable to our continuous efforts in optimizing our business structure. In particular, the reduction of the travel ecosystem business, which generated higher channel fees, resulted in improvement in the Company's overall channel fee ratio. In addition, leveraging on the technology advantage in the five ecosystems, we strove to create greater value in respect of customer acquisition, products, risk control and services, together with enhanced bargaining power and growing brand awareness, so as to control the channel fee ratio of each ecosystem.

The loss ratio for the first half of 2019 recorded an increase as compared with that for the first half of 2018 due to the combined effect of the following factors:

1) the increase in the Company's overall loss ratio as a result of changes in the business portfolio of decrease in the proportion of the premiums earned from the travel ecosystem and increase in the proportion of the premiums earned from the auto and consumer finance ecosystems;

2) the increase in the loss ratio of the finance ecosystem which has recorded a year-on-year increase of approximately 8.8 percentage points due to an increase in overall risk faced by the consumer finance industry since the second half of 2018. During 2019, we have remained cautious in developing the consumer finance business. Regarding risk control, by enhancing the integration of the credit cycle of the customer with the external economic cycle, we established the strategic anti-cyclical risk management system based on the macro-economic risk alert mechanism. Regarding business development, we continued to focus on the cooperation and exploration of internet scenario platforms, in order to optimize risk control model and control the risks associated with underlying assets as a result of continuous improvement of user profiles and user insights; and

3) the term of the insurance policies in respect of the businesses with low underwriting quality (which we have reduced), such as health group insurance (health ecosystem) and employer liability insurance (others), has not yet expired in the first half of 2019, which has continued to have an impact on the loss ratio.

The Company recorded an overall profit for the first half of 2019, and a net profit attributable to owners of the Company of approximately RMB94.5 million, representing an improvement of approximately RMB750.4 million, which was mainly due to the following factors:

1) Underwriting business: in the first half of 2019, the net premiums earned increased by approximately 63.4% year-on-year, and the combined ratio recorded significant improvement by decreasing from approximately 124.0% in the first half of 2018 to approximately 108.3% in the first half of 2019. The underwriting loss improved by approximately RMB376.0 million, representing a year-on-year decrease of approximately 43.3%;

2) Investment income: in the first half of 2019, benefitted from the outstanding performance of the A-share market, the investment income was approximately RMB757.9 million, representing a year-on-year increase of approximately RMB410.6 million; and

3) Technology export business: in the first half of 2019, the technology export business recorded operating revenue of approximately RMB104.6 million, representing a year-on-year increase of 193.1%, of which the operating revenue from overseas market amounted to approximately RMB31.9 million, and net loss of approximately RMB162.5 million, representing a year-on-year increase of approximately RMB6.5 million.

Five Major Ecosystems

In 2019, we continued to focus on the five major ecosystems to provide comprehensive insurance coverage for our customers.

We have had frequent interaction with a large number of users through lifestyle consumption and travel ecosystems to enhance users' trust in the products of ZhongAn and to strengthen market education on online insurance and the users' understanding of our products and willingness to pay, which enables us to seize business opportunities from cross-ecosystem users and achieve maximum user value. Meanwhile, with the development of our healthcare, consumer finance and auto ecosystems, we have expanded our business into a whole insurance value chain with improved brand recognition among users and increased average premium per capita, so as to create a more balanced and diversified business portfolio. The following table sets forth the GWP in absolute amount and as percentages of our GWP from or by each ecosystem for the first half of 2019 and the first half of 2018:

	For the six months ended June 30				
	2019		2018		
Ecosystems	RMB'000	%	RMB'000	%	Year-on-year growth rate %
Health	1,414,539	24%	1,557,219	30%	-9.2%
Consumer finance	1,733,566	29%	1,483,985	29%	16.8%
Auto	582,547	10%	462,945	9%	25.8%
Lifestyle consumption	1,369,250	23%	752,979	15%	81.8%
Travel	626,094	11%	683,941	13%	-8.5%
Others	171,083	3%	207,096	4%	-17.4%
Total	5,897,079	100%	5,148,165	100%	14.5%

Management Discussion and Analysis

The following table sets forth a breakdown of (i) GWP, (ii) net written premiums, defined as gross written premium less premium ceded to reinsurers, (iii) premiums earned, defined as net written premiums less net change in unearned premium reserves, (iv) loss ratio, defined as net claims incurred as a percentage of net premiums earned, and (v) channel fees, defined as handling charges directly related to written premiums as well as commissions, technical service fees and other channel related fees, as percentages of net written premiums, from or by each ecosystem for the first half of 2019 and the first half of 2018:

	For the six months ended June 30	
	2019	2018
Ecosystems	RMB'000	RMB'000
Health		
GWP	1,414,539	1,557,219
Net written premiums	1,318,270	1,299,399
Premiums earned	1,224,925	805,013
Loss ratio%	60.3%	56.0%
Channel fees as a percentage of net written premiums%	25.8%	26.4%
Consumer finance		
GWP	1,733,566	1,483,985
Net written premiums	1,733,566	1,483,985
Premiums earned	1,848,319	846,636
Loss ratio%	78.0%	69.2%
Channel fees as a percentage of net written premiums%	14.6%	13.7%
Auto		
GWP	582,547	462,945
Net written premiums	582,547	462,945
Premiums earned	611,531	179,134
Loss ratio%	55.9%	55.5%
Channel fees as a percentage of net written premiums%	26.1%	30.3%
Lifestyle consumption		
GWP	1,369,250	752,979
Net written premiums	1,369,250	752,816
Premiums earned	1,352,226	822,307
Loss ratio%	72.0%	67.4%
Channel fees as a percentage of net written premiums%	20.1%	21.1%
Travel		
GWP	626,094	683,941
Net written premiums	623,063	680,329
Premiums earned	626,628	700,816
Loss ratio%	8.6%	11.5%
Channel fees as a percentage of net written premiums%	86.5%	88.0%
Others		
GWP	171,083	207,096
Net written premiums	168,904	197,521
Premiums earned	249,687	266,072
Loss ratio%	91.8%	71.2%
Channel fees as a percentage of net written premiums%	33.0%	62.2%

Health ecosystem:

We focus on customer demands for health insurance protection by offering accessible, easy-to-understand and affordable insurance solutions and value-added services through the internet, with our products mainly comprising individual insurance products. The innovative individual insurance product brands we offer, including Personal Clinic Policy (尊享e生), Walk to Wellness Policy (步步保) and Didi Automobile Owner Insurance Plan (滴滴車主保障計劃), have become the major products marketed by many ecosystem partners of our health ecosystem business.

With the increasing popularity of mobile internet and in response to the significant increase in the penetration rate of online shopping by users (penetration rate of internet property and casualty insurance: approximately 5.7% in the first half of 2019 as compared with approximately 5.4% in the first half of 2018), by adopting an ecosystem partnership model and the internet-based product design and operation strategy, our major ecosystem partners in our individual insurance business were innovative internet platforms, such as Alipay Insurance, iyunbao, etc., which provided personalized and customized product offerings to customers.

In particular, taking our mid-end health insurance product, the Personal Clinic Policy series, as an example, we have included a deductible clause in the policy, which enables consumers to enjoy extensive medical insurance coverage at a relatively low premium. Furthermore, by constantly upgrading our leading customized services (express channel for critical illnesses, medical treatment in Japan, specific medicine for tumors, etc.) and exploring health insurance products for sub-health customers, we strived to satisfy the various needs of different customers and established our distinctive advantage with differentiated products. Meanwhile, our products and brands have been well received by customers on our proprietary platforms with rapid growth in transaction amount, and approximately 11% of the GWP generated from the Personal Clinic Policy series products in the first half of 2019 were derived from our proprietary platforms, representing a year-on-year increase of approximately 71.4%.

In the first half of 2019, the health ecosystem recorded approximately RMB1,414.5 million in GWP, representing a decrease of approximately 9.2% as compared to that of the corresponding period of last year, and recorded approximately 10.4 million insured customers. The main reason for the negative growth in the health ecosystem in the first half of 2019 was that we took initiatives to reduce certain group insurance businesses with low underwriting quality. Going forward, we will continue to explore ways to empower corporate customers in the health ecosystem segment with our technology strengths, and have also allocated more resources in the development of our core product, namely the Personal Clinic Policy series. The GWP generated from our core products, namely Personal Clinic Policy and Healthcare Ecosystem (好醫保) of Alipay Insurance, amounted to approximately RMB1,149.3 million for the first half of 2019 and maintained a rapid growth momentum, representing a year-on-year increase of 49.3%. There were over 2.8 million of insured customers for these products for the first half of 2019 with the premium per capita of approximately RMB400, of which the GWP derived from our proprietary platforms accounted for approximately 11% of our GWP. As of June 30, 2019, the users of the Personal Clinic Policy series were at an average age of about 35 and are mainly from first or second-tier cities and regions with better economic development and higher internet penetration rate. The number of insured customers of the Personal Clinic Policy and the Healthcare Ecosystem of Alipay Insurance amounted to approximately 4.6 million. Based on our analysis of health insurance customers, the new generation has strong demands for family health insurance customers, with over 40% of the users born in the 1980s and 1990s purchasing their first insurance products due to their concern over the health of their family members.

Other individual health insurance products continued to enhance frequent interaction with users. As of June 30, 2019, by providing Walk to Wellness Policy, we have obtained authority to obtain the exercise data of approximately 30 million users. Didi Automobile Owner Insurance Plan has also attracted extensive participation of automobile owners from the Didi Chuxing platform, and as of June 30, 2019, such product had over 1.6 million users with accumulated insurance policies of approximately 1.5 billion.

Management Discussion and Analysis

The loss ratio of the health ecosystem for the first half of 2019 was approximately 60.3%, representing a year-on-year increase of approximately 4.3 percentage points, which was mainly attributable to the increase in the loss ratio of our health group insurance products. Despite our effort to significantly reduce the health group insurance business in the first half of 2019, the business continued to make an impact on the loss ratio for the second half of 2018 as the majority of the health insurance policies have a valid term of one year.

By continuing to focus on the customized, intelligent and personalized medical insurance products, the health ecosystem business will strive to meet customers' insurance needs and our technology strengths in the whole insurance value chain will be applied to provide our customers with warmer services and to improve our operation efficiency and risk control capacity, including:

1) leveraging on our intelligent commercial insurance platform and with authorization from our customers, we have achieved direct connection with medical information databases, and through consolidation and analysis of such data, our risk management capability in underwriting and claim management of insurance business have improved, thereby enabling us to provide customers with a more convenient and efficient claim settlement experience. As of June 30, 2019, we have achieved direct connection with the systems of 1,068 hospitals;

2) we are in the process of incorporating the AI (artificial intelligence) image recognition technology into the claim settlement practice, so as to identify medical invoices and automatically enter the information into the relevant columns of the claim settlement procedures, with an aim to improve efficiency in the settlement of claims;

3) we have continued to integrate the risk management rules of the underwriting and claim management of insurance business with our internal and external big data, so as to improve the particularity of the risk management rules and optimize the risk management level of the health insurance business; and

4) we have launched the AI-based ZhongAn ANswer (眾安精靈), an insurance robo-advisor on our proprietary platform, so as to enhance interaction with the users at the early stage and to promote insurance knowledge, with an aim to develop trust in our brand.

In July 2019, we were granted the online hospital license in Hainan. In future, online hospitals will serve as a connector for our healthcare service. Leveraging on the extensive distribution network of our Company and ZhongAn Technology, we will empower the healthcare ecosystem by providing customers with close-loop solutions covering the whole value chain from disease prevention, follow-up and intervention, health management to insurance coverage and medical services.

Consumer finance ecosystem:

Through cooperation with licensed financial institutions, and by connecting with different kinds of internet platforms through our cutting-edge technology, risk control, data and other technology strengths, we are committed to providing customers with consumer finance products with credit guarantee, and have developed leading technologies, big data risk control as well as fund and asset matching capacity in the consumer finance ecosystem. We have proactively expanded our cooperation with various internet scenario platforms, such as Bestpay, Wo Wallet and Secoo, and have also provided consumer finance solutions to selected leading internet finance platforms, such as X Financial and Lexin, by way of joint risk control and joint scenario-based operation.

Since 2018, we have increased the proportion of internet scenario platform business to optimize resource allocation, enrich user profiles and effectively control risks. In the first half of 2019, we established cooperation with China Mobile Fintech Limited (中移金科, a finance and technology subsidiary of China Mobile Communications Group Co., Ltd.) and COFCO Wo Mai.com Investment Limited, and exported consumer finance products based on user profiles and analysis on internet footprints. More importantly, we have established cooperation with three major operators in the consumer finance segment to assist these platforms to provide consumer finance products to its users.

We set the insurance premium rates based on individual risk profile of the underlying assets and underwrote the risk for the underlying assets with our credit guarantee insurance products. Our actual annualized insurance premium rate (as a percentage to the lending amount) was mainly within the range of 6% to 12%. Our risk control penetrated the underlying assets, and we implemented real-time big data risk control on every batch of borrowings by every borrower by connecting the systems of our cooperated platforms with the financial institutions, thereby enabling us to decide the result of risk control.

Our key targeted customers of the consumer finance ecosystem are the young near-prime group in China at an average age of 25 to 35 with good education and strong consumption demands, who often suffer when applying for credit facilities due to lack of sufficient historical credit record as a result of shorter working history with stable income given their young age. In particular, due to the lack of complete and real-time credit record information, it is difficult for certain traditional financial institutions to carry out credit assessment on these people. Our business mostly provides credit facilities for borrowers who have a credit record with the central bank credit reference system and have had difficulties in increasing credit to meet their financing needs.

Leveraging on our development in the Insuretech segment, we have established the cloud-based risk management system which is driven by big data and covers the whole-life cycle of customer business. Through multi-dimensional big data analysis on the users and based on accurate identification of user profiles, in-depth understanding of customer needs and risk assessment on the users, we provided differentiated operation and risk control strategy, serving as a "connector" between the fund lenders and asset owners and the "stabilizer" against finance risks in assisting licensed financial institutions to serve the young near-prime customers.

Management Discussion and Analysis

In the first half of 2019, our consumer finance ecosystem recorded approximately RMB1,733.6 million in GWP, representing a growth of approximately 16.8% as compared with the corresponding period of last year, and provided services to approximately 15 million users. In the first half of 2019, the valid term of the insurance policies for our consumer finance ecosystem was one year or below, and the amount of a single batch of borrowings by the users under the consumer finance ecosystem was less than RMB4,000. As at June 30, 2019, the outstanding loan balance amount in respect of the consumer finance ecosystem was approximately RMB29.8 billion (as at December 31, 2018: approximately RMB32.8 billion). The loss ratio of the consumer finance ecosystem for the first half of 2019 was approximately 78.0%, representing a year-on-year increase of approximately 8.8 percentage points, which was attributable to the slight increase in default risk due to the slowdown in the macro-economy. In order to cope with the macro-economic risks, namely the impact of overall slowdown in the economy on default risk of the borrower, we will integrate the external macro-economy alert with in-house credit insurance risk management strategy in a dynamic manner, and apply a wide range of retail finance risk measurement models to provide differentiated credit insurance management strategies for different customer groups based on the characteristics of economic cycle and the stage of customers' life cycle, so as to mitigate the negative impact of fluctuations in the economy on the credit risk.

In 2019, we continued to embrace a prudent approach in developing consumer finance business. Regarding risk control, by enhancing the integration of the credit cycle of the customer with the external economic cycle, we established the strategic anti-cyclical risk management system based on the macro-economic risk alert mechanism. Regarding business development, we continued to focus on the cooperation and exploration of internet scenario platforms and constantly increased the proportion of quality businesses, so as to optimize risk control model and control the risks associated with underlying assets as a result of continuous improvement of user profiles and user insights.

Auto ecosystem:

We launched the "ZA & PA Joint Auto Insurance" ("Baobiao Auto Insurance") based on the coinsurance model jointly developed with Ping An P&C, offering professional auto insurance products and solutions as well as value-added services to protect our customers against vehicle damage, personal injury and death, and vehicle theft and robbery. We connected with internet platforms and the automotive aftermarket service channels by leveraging on our own technology strengths to acquire customers, while Ping An P&C leveraged on its extensive offline resources to provide the same quality claim settlement services as those offered to its own customers. The premiums, claim payments and other costs for auto insurance shared between ZhongAn and Ping An P&C under the coinsurance model were 50%:50%.

In the first half of 2019, our auto ecosystem recorded a year-on-year growth of approximately 25.8% in GWP to approximately RMB582.5 million with approximately 0.45 million insured users. As at June 30, 2019, the number of insured users of the auto ecosystem amounted to approximately one million. Our customers were mainly male clients aged 25 to 40 in first and second-tier cities and some economically developed cities. Given the intensified competition landscape of the auto insurance market, we adhered to the strategy of steady development in respect of the auto insurance business in the first half of 2019 and optimized the underwriting quality of our existing business through refined operation, so as to keep the loss ratio under control. The loss ratio of the auto ecosystem for the first half of 2019 was approximately 55.9%, up by approximately 0.4 percentage point on a year-on-year basis, while the channel fee ratio was down by approximately 4.2 percentage points on a year-on-year basis to approximately 26.1%, which was in line with the overall more stringent control over the channel fee ratio in the industry.

We acquired customers mainly from internet platforms and automotive aftermarket service channels. Regarding cooperation with internet platforms, we continued to expand along the auto ecosystem industrial chain by continuing to enhance cooperation with all kinds of ecosystem partners, such as new auto-retail platforms like Guazi (瓜子) and Maodou (毛豆) and automobile financial platforms like Cango (燦谷). We also connected with more offline automotive aftermarkets and other long-tail channels, such as auto detailing shops and automobile repair shops, through open platforms, thereby allowing our products to reach more users. In addition, we joined hands with SAIC Motor Corporation Limited and other automobile manufacturers in exploration of auto insurance big data application.

We continued to increase investments in video claim settlement service for auto insurance and integrate in-house and external technologies and data during the first half of 2019, providing users of Baobiao Auto Insurance with online one-to-one instructions to complete loss assessment within 10 minutes at the fastest: 1) to assist the automobile owners to complete onsite assessment of the vehicle damage through remote video instruction; 2) to achieve automatic sort-out of the photos through AI identification technology and identify the vehicle damage and determine the places of damages by applying the algorithm for photos; 3) to calculate the claim amount automatically based on the photos identified and big data on operation, etc.; 4) to automatically identify the information on the driving license by applying the OCR (optical character recognition) technology to save the trouble involving entry of customer service certificate and shorten the time needed for claim settlement. With the extensive rollout of the 5G technology in the future, our capability of video claim settlement will make communication via video even smoother and facilitate direct communications without delay and labour costs.

Lifestyle consumption ecosystem:

We continued to provide protection to cover risks associated with product return, product quality, logistics, post-sale services and merchant security deposits for main stream e-commerce platforms in China, such as Taobao Marketplace and Tmall, taking a leading position in the market. In the first half of 2019, the lifestyle consumption ecosystem served approximately 320 million insured customers with policies per capita of approximately 8.9. In the first half of 2019, we recorded approximately RMB1,369.3 million in GWP, representing an increase of approximately 81.8% as compared to that of the corresponding period of last year, which was mainly due to our cooperation with Ant Financial in several business fields to explore innovative insurance products and user experiences for the customers as we were both confident about the huge potential of the internet insurance market, thereby driving an increase in the market share of the lifestyle consumption related business. The loss ratio of the lifestyle consumption ecosystem for the first half of 2019 was approximately 72.0%, representing a year-on-year increase of approximately 4.6 percentage points, which was attributable to the increase in the proportion of the GWP generated from the Shipping Return Policy (退貨運費險) to the total GWP recorded for the ecosystem whose loss ratio was slightly higher than that of the other products of the ecosystem, leading to an increase in the overall loss ratio of the ecosystem.

In the second half of 2019, we will continue to work with ecosystem partners to proactively explore upgrades and innovation under the e-commerce scenarios by enhancing cooperation and improving the quality of the underwriting business, with an aim to identify any unsolved deficiency and provide comprehensive insurance solutions.

Travel ecosystem:

In light of our online tourism and travel platforms, we provide travel risk insurance to tourists and business travelers for unexpected emergencies such as flight accident, flight delay, travel accident, flight or hotel cancellation. In the first half of 2019, the travel ecosystem recorded approximately RMB626.1 million in GWP, representing a year-on-year decrease of approximately 8.5%, and provided services to around 19.8 million customers. In the first half of 2019, we have taken initiatives to reduce certain low quality underwriting business, including flight insurance products with relatively high channel fee ratio, as well as some other businesses and channels with low underwriting quality. As a result, the channel fee ratio of the travel ecosystem for the first half of 2019 was approximately 86.5%, representing a year-on-year decrease of approximately 1.5 percentage points, while the loss ratio was also down by approximately 2.9 percentage points to approximately 8.6%, showing an improvement in the overall underwriting quality of the travel ecosystem.

Others:

Other business mainly included individual accident insurance and employer liability insurance. The loss ratio in the first half of 2019 increased as a result of increase in the net premiums earned from employer liability insurance since the second half of 2018 and a higher loss ratio of the business which mostly had a valid term of one year. In the first half of 2019, we have significantly reduced the GWP of these other businesses, with the aim to optimize our product portfolio and improve the loss ratio.

Management Discussion and Analysis

Technology Investment and Export

We continued to focus on the development of cutting-edge technology sectors including artificial intelligence, blockchain, cloud computing, big data and life science, with an aim to reshape every aspect of the insurance value chain through technology.

In the first half of 2019, ZhongAn invested approximately RMB459.0 million in research and development activities, accounting for approximately 7.8% of the Company's GWP. As at June 30, 2019, ZhongAn had a total of 1,476 engineers and technicians, representing 51.0% of our total employees, among which, 97 are responsible for data analysis, 103 are responsible for artificial intelligence, 59 are responsible for blockchain technology, 536 are responsible for system development, 224 are responsible for product research and development and delivery, and the rest are mainly responsible for business-related system connection and maintenance, etc. We have filed applications for a total of 405 patents as of June 30, 2019, including 114 PCT (Patent Cooperation Treaty) patent applications in total, of which 175 applications were filed in the first half of 2019.

As our cloud-based distributed core system "Wujieshan" (無界山) is able to support a great number of individual policies, we issued a total of approximately 3.33 billion policies in the first half of 2019 and provided services to around 350 million users. In addition, we made continuous efforts to explore the integration of technology and insurance scenarios, including the intelligent commercial insurance platform for claim management in the health ecosystem, the development of the big data laboratory in the auto ecosystem, extensive application of artificial intelligence technologies to the online customer services and insurance robo-advisor as well as the reinsurance platform with blockchain as a core technology.

Given our technology strengths, we are able to create innovative business models with scale advantage. Supported by our innovations in Insuretech and the internet, we focus on commercializing our insurance technology strengths in domestic and overseas markets by exporting technology products and industry solutions, with an aim to improve the operation efficiency of all parties along the insurance value chain. In the first half of 2019, we had over 170 contracted customers and recorded revenue from technology export of approximately RMB104.6 million, representing an increase of approximately 193.1% as compared with the corresponding period of last year. We charged our customers technology service fees on a fixed rate or by applying a SaaS model (for example, fees charged at a certain percentage of income or according to user engagement).

Our technology products include insurance system products, intelligent big data risk control products and medical commercial insurance technology products, etc.

Our insurance system products provide technology products and solutions to solve the deficiencies in all aspects of the business operation of the players in the insurance industry, covering front-end sales, customer operation, product design, underwriting and claims management and many other aspects of the insurance business. The existing products mainly include the cloud-based distributed core system and the independent modules focusing on the core system, such as e-commerce sales modules, exhibition tools as well as brokers and agencies management modules. In the first half of 2019, we had a total of 26 contracted clients for our insurance system product who were engaged in the insurance industry, of which 10 were new contracted clients, and 16 were existing contracted clients from 2018 (accounting for 64% of the number of contracted clients in 2018). These existing customers purchased additional insurance system modules from us or ordered an upgrade on top of their existing modules in 2019.

With the artificial intelligence technologies, such as computer vision, natural language processing and data insights and the big data algorithms, our intelligent big data risk control products help the insurers, financial companies and internet financial platforms to refine risk management, optimize risk control model and mitigate operation risks. In the first half of 2019, we had over 130 contracted clients for our big data risk control products.

Through the full integration of medical and insurance scenarios, our medical commercial insurance technology products provide data enquiry, risk control and scenario-based insurance solutions for the commercial insurance companies and healthcare institutions.

We realized online connection of medical data by establishing the intelligent open-ended commercial insurance SaaS platform between hospitals and commercial insurance companies, which provides assistance for the commercial insurance companies to conduct services such as medical data enquiry, direct data connection for claim settlement and claim investigations for commercial insurance, so as to realize speedy claim settlement, enhance efficiency of claim settlement and reduce operation costs. As of June 30, 2019, we connected the information systems of 1,068 hospitals (mainly consist of Class II and above hospitals), the headquarters of 19 commercial insurance companies and the branch offices of 11 commercial insurance companies across the country.

In addition, we established the national medical knowledge database on the platform to provide the commercial insurance companies with enquiry services regarding the Basic Medical Insurance Drugs Catalogue, the Payment Standard of Medical Services and Facilities for Basic Medical Insurance and the Diagnosis and Treatment Catalogue of Basic Medical Insurance. We have also helped commercial insurance companies analyze and consolidate the medical data to explore added value by leveraging on big data analysis technology, thereby facilitating smart claim settlement and smart underwriting services and conducting investigation of suspected cases of fraud.

Regarding the overseas markets, following an agreement with SOMPO, one of the top three property and casualty insurance companies in Japan, in the second half of 2018, we joined hands with NTUC Income, the largest comprehensive insurer in Singapore, in April 2019. We provided both insurers with the next-generation public-cloud-based distributed core insurance system and helped them to realize digital transformation. More importantly, SOMPO has launched the first online insurance product, earthquake insurance, based on the insurance system exported by us, which is marketed through the local social media app in Japan and can help SOMPO to provide better services for the young generation users with automatic claim settlement services using location based service.

For our cooperation with SOMPO, one of the top three property and casualty incurance companies in Japan, and NTUC Income, the largest comprehensive insurer in Singapore, we will receive service fees in line with the roll-out of systems and the maintenance services provided, and will also receive technology service fees at a certain percentage of the premium generated under this model after the premium reaches certain prescribed amount.

In addition, in January 2019, we joined hands with Grab, a leading O2O platform in Southeast Asia, to form a joint venture company, "Grab Insure", to jointly explore the online insurance distribution business in Southeast Asia. In particular, ZhongAn shall establish the digital insurance distribution platform and provide back-office technology support for the joint venture company. Meanwhile, the joint venture company will join hands with insurance partners across the globe to provide all kinds of customized insurance products for the millions of Grab users in Southeast Asia by exporting sophisticated Insuretech solutions and leading business modes in China.

In July 2019, through cooperation between ZhongAn and Grab, Grab Insure provided drivers registered with the platform first customized usage-based online commercial auto insurance (UBI auto insurance) in Malaysia, which is underwritten by 14 local property and casualty insurers. ZhongAn provided system connection and technology support, providing insurance coverage on a per-day basis and significantly improving the insurance experience for the over 40,000 drivers registered with the platform and the underwriting efficiency of the insurers.

In Singapore, Grab Insure joined hands with NTUC Income, the largest comprehensive insurer in Singapore, to launch the usage-based critical illnesses insurance scheme ("Pay Per Trip") designed for drivers in Singapore, under which the system will automatically deduct a certain amount of premiums (S$0.1-0.5) and accrue corresponding coverage amount for the critical illness insurance upon completion of each order by the drivers registered with the platform who have participated in the insurance scheme. The automatic insurance purchase experience for individual policies can significantly reduce the barrier for insurance purchase and provide drivers registered with the platform with affordable critical illness insurance coverage.

In March 2019, we were one of the first batch of companies who were granted a "virtual bank" license by the Hong Kong Monetary Authority. As a non-bank applicant, the issuance of a "virtual bank" license represents a recognition of our Fintech strengths. We will also apply to the virtual bank business our insights of customers' behavior pattern gained through big data analysis and our connection with ecosystem partners.

Our international business is mainly implemented through ZhongAn International, a company incorporated in Hong Kong. Leveraging on the geographical advantage of the Guangdong-Hong Kong-Macau Greater Bay Area, we will closely follow the national initiative of "Belt and Road" and export our cutting-edge insurance technologies and proven business models to more countries and regions.

Management Discussion and Analysis

Asset Management

As of June 30, 2019, we had total investment assets of approximately RMB19,150 million, of which stocks and equity mutual funds, fixed income investments and other investments represented approximately 8.5%, 51.6% and 19.4% of our total investment assets, respectively. In the first half of 2019, our total investment yield and net investment yield (non-annualized) was approximately 4.0% and approximately 1.8% respectively (first half of 2018: total investment yield and net investment yield (non-annualized) was approximately 1.8% and approximately 2.1% respectively).

In the first half of 2019, the domestic capital market was under domestic and overseas pressure. As a result of the macro-environment, the capital market and return/risk expectation of general categories of assets, the Company strengthened its asset allocation management and risk management in order to seize investment opportunities in the capital market and timely lock in investment profit. The measures taken by the Company included: 1) amidst significant fluctuations in the equity market, and based on our analysis on the market, the Company adjusted position allocation in a flexible manner according to the market conditions in the spring and seized appropriate opportunities to make profit, so as to lock in investment return; and 2) with comprehensive allocation and credit risk management, we increased investments in assets with steady yield contribution, enhanced the hedging cushion for our investment portfolio, strengthened risk management for credit assets and refined our post-investment tracking service. In the second half of 2019, in view of increasing uncertainties surrounding the external environment and the downward interest rate trend in the domestic market, the Company will carefully cope with changes in the market and adjust its asset allocation in a flexible manner, with an aim to register stable investment income.

Outlook

In the second half of 2019, we will continue to adhere to the two-winged strategy of "Insurance + Technology". By emphasizing our mission of "redefining the insurance value chain through our technology strengths", we will incorporate technology development and innovation into the whole insurance value chain and continuously optimize underwriting efficiency and user experience. We will further optimize our business portfolio and enhance cost control to maintain high-quality growth, while commercializing our insurance technology strengths in domestic and overseas markets.

Financial Review

For the six months ended June 30, 2019, we continued to take advantage of development opportunities in the PRC Insuretech market. We achieved stable growth and continued to improve our market share in the PRC Insuretech market by continuing to develop innovative products using cutting-edge technologies and by enhancing our cooperation with our ecosystem partners. For the six months ended June 30, 2019, the Company's GWP reached approximately RMB5,897.1 million, representing a year-on-year increase of approximately 14.5%. According to data disclosed by the CBIRC, we ranked 14th in the PRC property and casualty insurance market and remained 1st in the PRC internet non-auto property and casualty insurance market in terms of GWP for the six months ended June 30, 2019.

The following table sets forth the comparative figures for the six months ended June 30, 2019 and the six months ended June 30, 2018:

	For the Six Months Ended June 30	
	2019 RMB'000	2018 RMB'000
Gross written premiums	5,897,079	5,148,165
Net premiums earned	5,913,314	3,619,978
Total income	6,899,545	4,066,973
Net profit/(loss) for the year	34,083	(666,819)
Total comprehensive income/(loss) for the year	106,012	(654,779)
Earnings/(loss) per share		
– Basic (RMB yuan)	0.06	(0.45)
– Diluted (RMB yuan)	0.06	(0.45)

The following table sets forth our key financial ratios for the six months ended June 30, 2019 and the six months ended June 30, 2018:

	For the Six Months Ended June 30	
	2019	2018
Retention ratio(1)	98.3%	94.7%
Loss ratio(2)	63.9%	54.2%
Expense ratio(3)	44.4%	69.8%
Combined ratio(4)	108.3%	124.0%
Net investment yield(5)	1.8%	2.1%
Total investment yield(6)	4.0%	1.8%
Return on assets(7)	0.4%	-2.9%
Return on equity(8)	0.6%	-3.9%
Gearing ratio(9)	39.4%	30.8%

Notes:

(1) Retention ratio equals net written premiums, which is gross written premiums less premiums ceded to reinsurer, as a percentage of gross written premiums.

(2) Loss ratio equals net claims incurred as a percentage of net premiums earned.

(3) Expense ratio equals insurance operating expenses expressed as a percentage of net premiums earned.

(4) Combined ratio equals the sum of loss ratio and expense ratio.

(5) Net investment yield equals the sum of net interest income, dividend income and share of net profit of associate less interest expense relating to securities sold under agreements to repurchase for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.

(6) Total investment yield equals total investment income (defined as the sum of net investment income, net fair value changes through profit or loss and share of net profit of associate less interest expense relating to securities sold under agreements to repurchase and impairment relating to investment assets) for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.

(7) Return on assets equals profit/(loss) for the year attributable to equity owners of the Company divided by the average of the opening and closing balances of total assets of the period.

(8) Return on equity equals profit/(loss) for the year attributable to equity owners of the Company divided by the average of the opening and closing balances of total equity attributable to equity owners of the Company of the period.

(9) Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.

Management Discussion and Analysis

Underwriting Business

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net premiums earned for the relevant periods:

	For the Six Months Ended June 30			
	2019		2018	
	RMB'000	%	RMB'000	%
Net premiums earned	5,913,314	100.0	3,619,978	100.0
Net claims incurred	3,777,275	63.9	1,960,918	54.2
Insurance operating expenses	2,628,200	44.4	2,527,224	69.8
Underwriting loss	(492,161)	(8.3)	(868,164)	(24.0)

1. Gross Written Premiums

GWP primarily include premiums written by us on insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers. We currently market and sell eight types of insurance products recognized by the CBIRC, including:

- Accident insurance, including products such as Flight Accident and Delay Policy (航意航延險) and Train Accident Policy (火車意外險), mainly serving the travel ecosystem and Personal and Group Accident Policy, mainly serving the health ecosystem;
- Bond and credit insurance, including products provided to leading internet finance platforms, mainly serving the consumer finance ecosystem and products such as Fang Xin Tao (放心淘), mainly serving the lifestyle consumption ecosystem;
- Health insurance, including products such as Personal Clinic Policy (尊享e生), Hao Yi Bao (好醫保) and Group Health Insurance Plan (健康團險計劃), mainly serving the health ecosystem;
- Liability insurance, including products such as Employer Liability Insurance (僱主責任險) and Unmanned Aerial Vehicle Liability Insurance (無人機責任險), mainly serving other ecosystem and the lifestyle consumption ecosystem;
- Cargo insurance, including products such as Tmall Furniture Cargo Policy (天貓家裝貨運險), mainly serving the lifestyle consumption ecosystem;
- Household property insurance, including products such as General Screen Crack Policy (碎屏險) and Account Safety Policy (賬戶安全險), mainly serving the lifestyle consumption and consumer finance ecosystem;
- Motor insurance, including Baobiao Auto Insurance (保驫車險), mainly serving the auto ecosystem; and
- Others, including products such as Shipping Return Policy (退貨費險), mainly serving the lifestyle consumption ecosystem.

Gross written premiums increased by approximately 14.5% from approximately RMB5,148.2 million for the six months ended June 30, 2018 to approximately RMB5,897.1 million for the six months ended June 30, 2019. We continued to optimize our product structure in order to fulfill high-quality growth. The overall steady growth was largely driven by the development in areas such as shipping return insurance, bond and credit insurance, health insurance and motor insurance. Simultaneously, GWP for accident insurance and liability insurance decreased noticeably as we cut down the scale of Employer Liability Insurance, Group Accident Policy and Flight Accident and Delay Policy.

A breakdown of the GWP from our different insurance products for the periods indicated is shown below:

	For the Six Months Ended June 30		
	2019	2018	(% of change)
Bond insurance	1,587,136	816,372	94.4%
Health insurance	1,301,680	1,085,297	19.9%
Accident insurance	841,533	1,107,036	-24.0%
Motor insurance	582,547	459,796	26.7%
Credit insurance	299,070	769,953	-61.2%
Cargo insurance	82,994	67,298	23.3%
Liability insurance	81,571	286,512	-71.5%
Household property insurance	27,271	19,009	43.5%
Others[(1)]	1,093,277	536,892	103.6%
Of which:			
Shipping return insurance	1,043,267	498,519	109.3%
Total	5,897,079	5,148,165	14.5%

Note:

(1) The CBIRC recognizes the following types of the property and casualty insurance products: accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance and others. "Others" primarily consists of shipping return insurance, which is categorized as such based on its policy terms in our periodic reports to the CBIRC.

2. Premiums ceded to reinsurers

The premiums ceded to reinsurers decreased from approximately RMB271.2 million for the six months ended June 30, 2018 to approximately RMB101.5 million for the six months ended June 30, 2019, of which the ceded premiums of accident insurance amounted to approximately RMB11.5 million for the six months ended June 30, 2019, which was approximately RMB111.6 million less than that for the same period of 2018, and the ceded premiums of health insurance amounted to approximately RMB88.8 million for the six months ended June 30, 2019, which was approximately RMB54.6 million less than that of the same period of 2018. The decrease in premiums ceded to reinsurers is mainly due to changes of product portfolio and optimization of ceding policy.

The Company continued to carry out a stable ceding policy for the six months ended June 30, 2019. Reinsurance helped to diversify risk and support the Company's long term growth. The Company also continued to strengthen and deepen cooperation with reinsurers in other aspects. Our current reinsurer partners include, but are not limited to, General Reinsurance AG Shanghai Branch, China Property & Casualty Reinsurance Company Ltd. and Lloyd's Insurance Company (China) Limited.

3. Net change in unearned premium reserves

Unearned premium reserves are portions of written premiums relating to unexpired risk of insurance coverage. Unearned premium reserves decreased by approximately RMB117.7 million during the six months ended June 30, 2019 because on one hand, short-term products, such as shipping return insurance, took higher proportion in the whole product mix during the first half year of 2019 compared to that during the same period of 2018, and on the other hand, the year-on-year GWP growth rate of approximately 14.5% in the first half year of 2019 is much lower compared to that of approximately 106.6% in the first half year of 2018.

4. Net premiums earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the foregoing, net premiums earned increased by approximately 63.4% from approximately RMB3,620.0 million for the six months ended June 30, 2018 to approximately RMB5,913.3 million for the six months ended June 30, 2019.

Management Discussion and Analysis

5. **Net claims incurred**

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred increased by approximately 92.6% from approximately RMB1,960.9 million for the six months ended June 30, 2018 to approximately RMB3,777.3 million for the six months ended June 30, 2019, among which net claims for bond and credit insurance rose by approximately 136.9% from approximately RMB640.3 million for the six months ended June 30, 2018 to approximately RMB1,516.5 million for the six months ended June 30, 2019, and net claims for health, motor and other insurance rose by approximately RMB314.7 million, approximately RMB243.0 million and approximately RMB381.4 million, respectively, from the six months ended June 30, 2018 to the six months ended June 30, 2019.

6. **Handling charges and commissions**

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies. Handling charges and commissions decreased by approximately 16.9% from approximately RMB525.9 million for the six months ended June 30, 2018 to approximately RMB437.2 million for the six months ended June 30, 2019, primarily due to our adjustment of product portfolio. We cut down the scale of those products with higher commission rate, such as Group Accident Policy, Flight Accident policy and Employer Liability Insurance.

7. **General and administrative expenses**

General and administrative expenses primarily include consulting fees and service charges primarily paid to our ecosystem partners, employee salaries and benefits, promotion and marketing expenses, amortization of right-of-use assets, impairment loss of premium receivable and intangible assets and other miscellaneous operating and administrative expenses. General and administrative expenses increased by approximately 15.2% from approximately RMB2,021.7 million for the six months ended June 30, 2018 to approximately RMB2,329.3 million for the six months ended June 30, 2019, primarily due to expansion of workforce leading to increase of employee benefit expense by approximately RMB143.8 million and increase of impairment loss by approximately RMB45.2 million.

Investment Business

For the six months ended June 30, 2019, the Company's investing activities consisted of (i) equity investment; (ii) proprietary trading of bonds and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bonds and other asset management products.

8. **Composition of investment assets**

We strictly comply with the requirements of relevant PRC laws and regulations and implement prudent risk management by establishing a comprehensive and integrated asset management framework to ensure that our assets are properly managed. The following table shows the composition of our investment assets:

	June 30, 2019		December 31, 2018	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and cash equivalents	2,294,621	12.0	2,426,829	12.8
Fixed income investments	9,889,494	51.6	11,612,736	61.2
Bonds	11,371,916	59.4	11,805,904	62.2
Term Deposits	660,000	3.4	960,000	5.1
Other fixed income investments, net	(2,142,422)	(11.2)	(1,153,168)	(6.1)
Equity and investment funds	3,246,615	17.0	2,601,663	13.7
Investment funds	1,124,878	5.9	1,463,927	7.7
Stocks	1,503,704	7.9	767,720	4.0
Unlisted equity shares	618,033	3.2	370,016	2.0
Other investments	3,719,296	19.4	2,328,326	12.3
Wealth management products	2,585,257	13.5	1,731,257	9.1
Trust	1,134,039	5.9	597,069	3.2
Total investment assets	19,150,026	100.0	18,969,554	100.0

We had total investment assets of approximately RMB19,150.0 million as of June 30, 2019 and approximately RMB18,969.6 million as of December 31, 2018, representing an increase of approximately RMB180.4 million. Total investment assets represented approximately 70.1% of our total assets as of June 30, 2019, compared to approximately 72.0% as of December 31, 2018. As of June 30, 2019, equity and investment funds and other investments represented approximately 17.0% and approximately 19.4% of our total investment assets, respectively. Our total investment yield was approximately 1.8% and approximately 4.0% for the six months ended June 30, 2018 and 2019, respectively.

9. Cash and cash equivalents

Cash and cash equivalent/equivalents primarily include cash and term deposits with original maturity of no more than three months. Cash and cash equivalent/equivalents decreased from approximately RMB2,426.8 million as of December 31, 2018 to approximately RMB2,294.6 million as of June 30, 2019. The primary reason for the decrease was net operating cash outflows as discussed in the section headed "Cash flows".

10. Bonds

Bonds included government bonds, financial bonds, corporate bonds and interbank deposits. As of June 30, 2019, approximately 99.6% of the bonds the Company held received external ratings of AA level or above with more than approximately 52.8% of them receiving external ratings of AAA level. Bonds decreased from approximately RMB11,805.9 million as of December 31, 2018 to approximately RMB11,371.9 million as of June 30, 2019. We reduced the scale of bond investment in order to manage market risk as the volatility of the bond market strengthened during the first half year of 2019.

11. Stocks and investment funds

The Company's investment in stocks increased from approximately RMB767.7 million as of December 31, 2018 to approximately RMB1,503.7 million as of June 30, 2019, while our investment in investment funds decreased from approximately RMB1,463.9 million as of December 31, 2018 to approximately RMB1,124.9 million as of June 30, 2019. Considering the drop in the market interest rate of monetary fund during the first half year of 2019 and value advantage of different kinds of investment assets, we reduced the scale of monetary funds and invested more in stocks.

12. Other investments

Other investments include: (i) wealth management products, which include asset management plans issued by reputable financial institutions such as Ping An Asset Management Co., Ltd.; and (ii) trust products, which typically have longer terms and higher return over investment as compared to traditional fixed income products and receive external ratings of AA level or above. The Company's investment in other investments increased from approximately RMB2,328.3 million as of December 31, 2018 to approximately RMB3,719.3 million as of June 30, 2019. Considering the increasing volatility of bond market during the first half year of 2019 and our need to diversify the whole investment portfolio, the Company invested more in other investments to obtain stable investment return and manage whole credit risk.

Management Discussion and Analysis

13. Net investment income

	For the Six Months Ended June 30		
	2019 RMB'000	2018 RMB'000	(% of change)
Interest income			
– Bank deposits	40,441	17,669	128.9
– Bond investments	254,259	209,405	21.4
– Securities purchased under agreements to resell	5,624	15,926	(64.7)
– Wealth management products	21,162	64,116	(67.0)
– Loans	—	4,687	(100.0)
Dividend income			
– Fund investment	18,658	62,391	(70.1)
– Equity investment	13,755	20,976	(34.4)
– Wealth management products	44,308	12,175	263.9
Realized gains	313,286	235,475	33.0
	711,493	642,820	10.7

Net investment income comprised interest income from trust products, term deposits, securities purchased under agreements to resell and debt securities, dividend income from investment funds and equity securities, and realized gains or losses on securities through profit or loss and available-for-sale securities. We had net investment income of approximately RMB642.8 million for the six months ended June 30, 2018 and net investment income of approximately RMB711.5 million for the six months ended June 30, 2019. The increase in net investment income for first half of 2019 was primarily due to an increase of realized gains as a result of good performance of A-share market.

14. Net fair value gains through profit or loss

Net fair value gain through profit or loss represent net fair value change on financial assets measured at fair value through profit or loss. We had net fair value loss amounting to approximately RMB287.0 million for the six months ended June 30, 2018 compared to gain of approximately RMB111.0 million for the six months ended June 30, 2019. The changes were primarily due to general condition of the A share markets for the six months ended June 30, 2019.

15. Finance costs

Finance costs increased from approximately RMB15.6 million for the six months ended June 30, 2018 to approximately RMB50.3 million for the six months ended June 30, 2019. On one hand, average balance of securities sold under agreements to repurchase during the six months ended June 30, 2019 is higher than that during the six months ended June 30, 2018. On the other hand, adoption of the Hong Kong Financial Reporting Standard 16 "Leases" leads to increase of finance cost.

Technology Business

Revenue generated from technology export business of ZhongAn Technology and ZhongAn International rose from approximately RMB35.7 million for the six months ended June 30, 2018 to approximately RMB104.6 million for the six months ended June 30, 2019. Correspondingly, technology export business incurred approximately RMB162.5 million loss in total for the six months ended June 30, 2019, representing a year-on-year increase of approximately 4.1%.

Overall Results

16. Total income

Total income represents the sum of net premiums earned, net investment income, net fair value changes through profit or loss and other income. As a result of the foregoing, total income increased by approximately 69.6% from approximately RMB4,067.0 million for the six months ended June 30, 2018 to approximately RMB6,899.5 million for the six months ended June 30, 2019.

17. Net profit for the Reporting Period

The Company incurred a net profit of approximately RMB34.1 million for the six months ended June 30, 2019 compared to a net loss of approximately RMB666.8 million for the six months ended June 30, 2018. The net profit was mainly due to

(i) the decrease in underwriting loss. As the Company continued to pursue growth with quality, the combined ratio further improved from approximately 124.0% for the six months ended June 30, 2018 to approximately 108.3% for the six months ended June 30, 2019, which was accompanied by a steady increase in the gross written premiums; and

(ii) the increase in investment income (including net fair value changes through profit or loss), primarily benefiting from good performance of the domestic A-share market.

18. Liquidity and source of funding

We have historically funded our cash requirements principally from cash inflow from investment activities and capital contribution from Shareholders.

Cash flows

The following table sets forth our cash flows for the periods indicated:

	For the Six Months Ended June 30	
	2019	2018
	(in thousands of RMB) (unaudited)	(unaudited)
Net cash outflow from operating activities	(644,612)	(282,936)
Net cash inflow/(outflow) from investing activities	35,253	(4,383,874)
Net cash inflow from financing activities	464,595	1,502,198
Effect of exchange rate changes on cash and cash equivalents	12,556	624
Net decrease in cash and cash equivalents	(132,208)	(3,163,988)
Cash and cash equivalents at the beginning of period	2,426,829	5,260,259
Cash and cash equivalents at the end of period	2,294,621	2,096,271

We had net cash outflow from operating activities of approximately RMB644.6 million in the six months ended June 30, 2019, which comprised of cash inflow from underwriting business and other operating activities of approximately RMB6,057.3 million, offsetted by the cash outflows from claims and other operating expenses of approximately RMB3,671.2 million and approximately RMB3,030.7 million, respectively.

We had net cash inflow from investing activities of approximately RMB35.3 million in the six months ended June 30, 2019, whereas our net cash outflow for the six months ended June 30, 2018 was approximately RMB4,383.9 million. This was primarily due to reduction in the purchase of investments as well as increase in dividend and interest income received.

We had net cash inflow from financing activities of approximately RMB464.6 million during the six months ended June 30, 2019, which consists of (i) proceeds from issuance of preferred shares by ZhongAn International amounting to approximately RMB342.0 million; (ii) net cash inflows from securities sold under agreements to repurchase amounting to approximately RMB419.7 million; and (iii) cash outflow amounting to approximately RMB317.6 million that was used in the repurchase of a non-controlling interest in ZhongAn Financial Services Limited.

Indebtedness

Other than two outstanding unsecured loans amounting to approximately USD3.8 million and approximately USD2.6 million respectively from two independent third parties, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of June 30, 2019.

Management Discussion and Analysis

Solvency for Insurance Companies

The solvency ratio for insurance companies is an important supervisory indicator to assess the capital adequacy of insurance companies. Stable solvency ratio enables a company to meet the capital requirements by regulatory and rating agencies and other external institutions, and supports the business development of the company and long-term shareholders' value.

With its adequate solvency at present, the Company will continue to strengthen the supervision, control and analysis on its solvency ratio while proactively developing its insurance business and expanding the arrays of its investments in the future.

The table below summarizes the core capital, actual capital and minimum required capital of the Company according to the original CIRC's solvency rules.

	As of June 30, 2019	As of December 31, 2018
	RMB'000	RMB'000
Actual capital	**15,263,715**	15,135,283
Core capital	**15,263,715**	15,135,283
Minimum required capital	**2,809,146**	2,524,270
Comprehensive solvency margin ratio (%)	**543.4**	599.6
Core solvency margin ratio (%)	**543.4**	599.6

Notes: Comprehensive solvency margin ratio = Actual capital/Minimum required capital;

Core solvency margin ratio = Core capital/Minimum required capital.

19. Material investments

We did not hold any material investments during the six months ended June 30, 2019.

20. Material acquisitions and disposals

We did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended June 30, 2019.

21. Future plans for material investments and capital assets

As of June 30, 2019, we did not have other plans for material investments and capital assets.

22. Pledge of assets

As at June 30, 2019, none of the Group's assets were pledged.

23. Gearing ratio

As of June 30, 2019, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 39.4%, representing an increase of 8.6 percentage points as compared with approximately 30.8% as of June 30, 2018.

24. Foreign exchange exposure

During the six months ended June 30, 2019, we mainly operated our underwriting business in the PRC and majority of the transactions were settled in Renminbi, the Company's functional currency. As of June 30, 2019, our cash and cash equivalents denominated in foreign currencies included approximately HK$1,030.6 million, approximately USD13.7 million and approximately JPY620.6 million, mainly arising from the business operation of ZhongAn International. We did not use any financial instruments for hedging purposes during the six months ended June 30, 2019.

25. Contingent liabilities

As of June 30, 2019, we did not have any material contingent liabilities.

26. Off-balance sheet commitments and arrangements

As of June 30, 2019, we have not entered into any off-balance sheet arrangements.

27. Events after the Reporting Period

On July 18, 2019, ZhongAn Technology and Sinolink entered into a share subscription agreement with ZhongAn International, pursuant to which ZhongAn Technology and Sinolink conditionally agreed to subscribe for an aggregate of 1,020,000,000 and 980,000,000 new ordinary shares of ZhongAn International for the total subscription price of RMB1,000,000,000, and RMB960,784,313.73 payable in cash, respectively. Upon final completion of such share subscription agreement, the voting interest held by ZhongAn Technology and Sinolink in ZhongAn International shall remain 51% and 49%, respectively.

Use of Net Proceeds from the Listing

On September 28, 2017, the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange. The gross proceeds from the above Global Offering were approximately HK$13,682.5 million, which will be used for the purposes as set out in the Prospectus.

Disclosure of Interest

Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Any Associated Corporation

As at June 30, 2019, the interests and short positions of the Directors, Supervisors and Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code are as follows:

Name of Director	Class of Shares	Nature of interest	Number of Shares	Approximate percentage in Shares of the same class[1]	Approximate percentage of the Company's total issued share capital[1]
Yaping Ou[2]	Domestic Shares	Interest of controlled corporation	81,000,000 (Long position)	8.10%	5.51%
Fang Zheng[3]	H Shares	Interest of controlled corporation	60,309,167 (Long position)	12.83%	4.10%

Notes:

(1) The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.

(2) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink, of which approximately 45.10% of its shardholding is held by Asia Pacific Promotion Limited, a company wholly owned by Mr. Yaping Ou, an executive Director and the chairman of the Board. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

(3) Keywise ZA Investment is an investment of Keywise Fund. The investment advisor of Keywise Fund is Keywise Capital Management (HK) Limited. Keywise Fund owns 23.00% interest in Keywise ZA Investment. Other investors own 77.00% interest in Keywise ZA Investment. Keywise ZA Investment is accustomed to taking instructions from Mr. Fang Zheng. As such, Mr. Fang Zheng is deemed to be interested in the Shares held by Keywise ZA Investment.

Save as disclosed above, as at June 30, 2019, so far as is known to any Director, Supervisor or the Chief Executive of the Company, none of the Directors, the Supervisors and the Chief Executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at June 30, 2019, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors or Chief Executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Ant Financial [3]	Domestic Shares	Beneficial interest	199,000,000	19.90%	13.53%
Hangzhou Junao Equity Investments Partnership (Limited Partnership) [3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Hangzhou Junhan Equity Investments Partnership (Limited Partnership) [3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Hangzhou Yunbo Investment Consulting Co, Ltd. [3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Yun Ma [3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Tencent Computer System [4]	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.20%
Huateng Ma [4]	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.20%
Tencent Holdings Limited [4]	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.20%
Ping An Insurance [5]	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.20%
Shenzhen Jia De Xin Investment Limited [6]	Domestic Shares	Beneficial interest	140,000,000	14.00%	9.52%
Shenzhen Huaxinlian Investment Limited [6]	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.52%
Yafei Ou [6]	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.52%
Unifront Holding Limited [7]	Domestic Shares	Beneficial interest	90,000,000	9.00%	6.12%
Shanghai Songlu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Jianglu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%

Disclosure of Interest

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Shanghai Xinlu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Youlu Investment management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Zhen Zhang [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Cnhooray Internet Technology Co. Ltd. [8]	Domestic Shares	Beneficial interest	81,000,000	8.10%	5.51%
Timeway Holdings Limited [8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Sinolink Worldwide Holdings Limited [8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Asia Pacific Promotion Limited [8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Qingdao Huilijun Trading Company Limited [9]	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shenzhen Qianhai Lihui Fund Management Limited [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Yu Chen [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Zuojie Peng [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shanghai Yuanqiang Investment Company Limited [10]	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Song Zou [10]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Keywise ZA Investment [11]	H Shares	Beneficial interest	60,309,167	12.83%	4.10%
SVF Zen Subco (Singapore) Pte. Ltd. [12]	H Shares	Beneficial interest	71,909,800	15.30%	4.89%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares(1)	Approximate percentage in Shares of the same class(2)	Approximate percentage of the Company's total issued share capital(2)
SVF Holdco (Singapore) Pte. Ltd. (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (Cayman) Ltd. (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (UK) LLP (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SoftBank Vision Fund L.P. (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Vision Technology Investment Company (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Public Investment Fund (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF GP (Jersey) Limited (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Softbank Group Corp. (12)	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%

Notes:

1. All the Shares are held in long position (as defined under Part XV of the SFO) unless otherwise specified.

2. The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.

3. Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業 (有限合夥)) ("Hangzhou Junao") holds 32.15% shares in Ant Financial and Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業 (有限合夥)) ("Hangzhou Junhan") holds 42.28% shares in Ant Financial. As such, Hangzhou Junao and Hangzhou Junhan are deemed to be interested in the Shares held by Ant Financial. The voting rights of Hangzhou Junao and Hangzhou Junhan in Ant Financial are controlled by Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司) ("Hangzhou Yunbo"), the general partner, which in turn is entirely owned by Yun Ma (馬雲). As such, Hangzhou Yunbo and Yun Ma (馬雲) are deemed to be interested in the Shares held by Ant Financial.

4. Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0700), and is one of its principal PRC domestic operating entities. Tencent Computer System is a leading provider of internet value added services in the PRC and a clear holder of the Company's Shares. As such, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Computer System. Huateng Ma (馬化騰) holds 54.29% shares in Tencent Computer System.

5. Ping An Insurance is a joint-stock company incorporated in the PRC and listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318).

6. Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司) ("Shenzhen Jia De Xin") is a subsidiary of Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司) ("Shenzhen Huaxinlian"). As such, Shenzhen Huaxinlian is deemed to be interested in the Shares held by Shenzhen Jia De Xin. Shenzhen Huaxinlian is controlled by Yafei Ou (歐亞非). As such, Yafei Ou (歐亞非) is deemed to be interested in the Shares held by Shenzhen Jia De Xin.

7. Unifront Holding Limited (優孚控股有限公司) ("Unifront") is owned by Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司) ("Shanghai Songlu") as to 25.00%, Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) ("Shanghai Jianglu") as to 16.90% and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) ("Shanghai Xinlu") as to 13.10%. The entire interest of Shanghai Songlu, Shanghai Jianglu and Shanghai Xinlu are held by Shanghai Youlu Investment Management Co., Ltd. (上海游鹿投資管理有限公司) ("Shanghai Youlu"), which in turn is controlled by Zhen Zhang (張真). As such, Shanghai Youlu, Shanghai Songlu, Shanghai Jianglu and Shanghai Xinlu are deemed to be interested in the Shares held by Unifront. As such, Zhen Zhang (張真) is deemed to be interested in the Shares held by Unifront.

Disclosure of Interest

8. Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink, of which approximately 45.10% of its shareholding is held by Asia Pacific Promotion Limited, a company wholly owned by Mr. Yaping Ou, the chairman of the Board and an executive Director. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

9. Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司) is a wholly owned subsidiary of Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)). The general partner of Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)) is Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited (盛創偉業 (廈門) 股權投資基金管理有限公司), which is wholly owned by Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司). Each of Yu Chen (陳宇) and Zuojie Peng (彭作傑) holds 50.00% of Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司). As such, Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)), Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited (盛創偉業 (廈門) 股權投資基金管理有限公司), Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司), Yu Chen (陳宇) and Zuojie Peng (彭作傑) are deemed to be interested in the Shares held by Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司).

10. Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司) is owned by Song Zou (鄒松) as to 80.00%. As such, Song Zou (鄒松) is deemed to be interested in the Shares held by Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司).

11. Keywise ZA Investment is an investment of Keywise Fund. The investment advisor of Keywise Fund is Keywise Capital Management (HK) Limited which in turn owns 23.00% interest in Keywise ZA Investment. Other investors own 77.00% interest in Keywise ZA Investment. Keywise ZA Investment is accustomed to taking instructions from our non-executive Director, Mr. Fang Zheng.

12. SVF Zen Subco (Singapore) Pte. Ltd. is wholly owned subsidiary of SVF Holdco (Singapore) Pte. Ltd., which is wholly owned by SVF Holdings (Cayman) Ltd. SVF Holdings (Cayman) Ltd. is wholly owned subsidiary of SVF Holdings (UK) LLP, which is wholly owned by SoftBank Vision Fund L.P., which is owned by Vision Technology Investment Company as to 48.31%. Vision Technology Investment Company is wholly owned by Public Investment Fund. The general parter of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited and the ultimate parent company is SoftBank Group Corp., which is a Japanese corporation listed on the Tokyo Stock Exchange (Stock Code: 9984).

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares as at June 30, 2019.

Other Information

Employees and Remuneration Policies

As at June 30, 2019, the Group had 2,893 full-time employees (June 30, 2018: 2,887). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

Compensation of key executives of the Group is determined by the Company's remuneration and nomination committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The total remuneration cost incurred by the Group for the six months ended June 30, 2019 was approximately RMB762.8 million (for the six months ended June 30, 2018: approximately RMB628.8 million).

Corporate Governance

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has adopted the principles and code provisions of the CG Code set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has complied with all the applicable code provisions set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The Company has made enquiries into all Directors, and all the Directors confirmed that they had complied with the standards set out in the Model Code during the Reporting Period.

Review by Audit Committee

The Company has established an audit committee in accordance with the Listing Rules. The primary duties of the audit committee are to supervise our risk management, internal control system, financial information disclosure and financial reporting matters. The audit committee comprises Mr. Guoping Wang, Mr. Yifan Li and Ms. Hui Chen. Mr. Guoping Wang is a non-executive Director, and Mr. Yifan Li and Ms. Hui Chen are independent non-executive Directors. Ms. Hui Chen is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2019. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers. The interim financial statements of the Company are unaudited.

Other Board Committees

In addition to the audit committee, the Company has also established a risk management committee, a remuneration and nomination committee and an investment strategy committee.

Changes in Directors, Supervisors and Chief Executive during the Reporting Period

At the annual general meeting of the Company held on May 24, 2019, (i) Mr. Yaping Ou, Mr. Jin Chen and Mr. Hugo Jin Yi Ou were re-elected as executive Directors of the third session of the Board, (ii) Mr. Xinyi Han, Mr. Jimmy Chi Ming Lai and Mr. Xiaoming Hu were re-elected as non-executive Directors of the third session of the Board, (iii) Mr. Shuang Zhang, Ms. Hui Chen, Mr. Yifan Li and Mr. Ying Wu were re-elected as independent non-executive Directors of the third session of the Board, (iv) Mr. Liangxun Shi and Mr. Ming Yin were elected as non-executive Directors of the third session of the Board, (v) Mr. Wei Ou was elected as an independent non-executive Director of the third session of the Board, and (vi) Ms. Yuping Wen and Ms. Baoyan Gan were re-elected as shareholder representative supervisors of the third session of the Supervisory Committee to form the third session of the Supervisory Committee with Ms. Haijiao Liu, the employee representative supervisor elected by the meeting of the employee representatives of the Company on March 29, 2019. The appointments of each

Other Information

of Mr. Liangxun Shi, Mr. Ming Yin and Mr. Wei Ou will become effective upon the approval of their qualification as director by the CBIRC, and the terms of office of Mr. Guoping Wang, Mr. Fang Zheng and Mr. Li Du shall expire upon the effective appointment of Mr. Liangxun Shi, Mr. Ming Yin and Mr. Wei Ou.

With effect from July 18, 2019, (i) Mr. Jin Chen resigned from the positions as general manager and joint chief executive officer of the Company but will continue to act as the executive Director, the chairman of the investment strategy committee under the Board and the president of the Fintech Research Institute of the Company, and (ii) Mr. Xing Jiang was appointed as general manager and chief executive officer of the Company, save that his qualification for the appointment of general manager is subject to the approval of CBIRC, and will act as the provisional person-in-charge of the Company and be responsible for the daily operation and management of the Company for the period from the date of the resolution of the Board to the approval of the qualification of Mr. Xing Jiang as general manager by the CBIRC.

Changes in information of Directors, Supervisors and Chief Executives which are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

1. Mr. Xinyi Han has been a director of Yum China Holdings, Inc. (a company listed on the New York Stock Exchange, stock code: YUM) since May 2019.

2. Mr. Jimmy Chi Ming Lai has been the chairman of the board of directors of Fusion Bank Limited since June 2019 and ceased to be the head of Tencent FiT business since June 2019.

3. Mr. Li Du ceased to be a director of Qudian Group (趣店集團), a company listed on the New York Stock Exchange (stock code: QD), since August 2018.

4. Mr. Yifan Li has been an independent non-executive director of Frontage Holdings Corporation (a company listed on the Hong Kong Stock Exchange in May 2019, stock code: 1521) since April 2018.

Purchase, Sale or Redemption of Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Litigation

As of June 30, 2019, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

Interim Dividend

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended June 30, 2019 (for the six months ended June 30, 2018: Nil).

For and on behalf of the Board

Yaping Ou
Chairman
August 26, 2019

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF ZHONGAN ONLINE P & C INSURANCE CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 34 to 72, which comprises the interim condensed consolidated statement of financial position of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2019

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Gross written premiums	7	5,897,079	5,148,165
Less: Premiums ceded to reinsurers	7	(101,479)	(271,170)
Net written premiums	7	5,795,600	4,876,995
Less: Net change in unearned premium reserves	7	117,714	(1,257,017)
Net premiums earned	7	5,913,314	3,619,978
Net investment income	8	711,493	642,820
Net fair value changes through profit or loss	9	110,987	(286,954)
Other income		163,751	91,129
Total income		6,899,545	4,066,973
Net claims incurred	10	(3,777,275)	(1,960,918)
Handling charges and commissions	11	(437,188)	(525,912)
Foreign exchange gain/(loss)		2,205	(873)
Finance costs		(50,288)	(15,597)
General and administrative expenses	12	(2,329,342)	(2,021,729)
Other expenses		(278,018)	(219,277)
Total expenses		(6,869,906)	(4,744,306)
Share of net (loss)/profit of associates accounted for using the equity method		(14,274)	7,000
Profit/(Loss) before income tax		15,365	(670,333)
Income tax	13	18,718	3,514
Net profit/(loss) for the period		34,083	(666,819)
Profit/(Loss) attributable to:			
– Owners of the Company		94,538	(655,832)
– Non-controlling interests		(60,455)	(10,987)
		34,083	(666,819)

	Notes	Six months ended 30 June 2019 (unaudited)	2018 (unaudited)
Profit/(Loss) per share			
– Basic (RMB yuan)	15	**0.06**	(0.45)
– Diluted (RMB yuan)	15	**0.06**	(0.45)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
– Changes in fair value of available-for-sale financial assets	14	**61,578**	10,543
– Exchange differences on translation of foreign operations		**10,351**	1,497
Other comprehensive income for the period	14	**71,929**	12,040
Total comprehensive income/(loss) for the period		**106,012**	(654,779)
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**161,395**	(644,526)
– Non-controlling interests		**(55,383)**	(10,253)
		106,012	(654,779)

The accompanying notes form an integral part of the consolidated financial statements.

The consolidated financial statements and the accompanying notes starting from page 34 to page 72 are signed by:

Yaping Ou	**Jin Chen**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	30 June 2019 (unaudited)	31 December 2018 (unaudited)
ASSETS			
Cash and cash equivalents	16	2,294,621	2,426,829
Financial assets at fair value through profit or loss	17	8,139,217	9,288,084
Securities purchased under agreements to resell	18	533,395	1,038,887
Interest receivables	19	271,124	377,895
Premium receivables	20	2,045,058	2,037,286
Reinsurance debtors	21	187,859	287,379
Reinsurers' share of insurance contract liabilities	33	222,767	243,216
Available-for-sale financial assets	22	8,525,088	6,572,814
Loans and advances to customers		1,200	71,295
Investments classified as loans and receivables	23	1,134,039	597,069
Term deposits		660,000	960,000
Restricted statutory deposits	24	293,963	293,963
Investments in associates	25	592,583	344,836
Right-of-use assets		426,993	—
Property and equipment	26	110,424	106,730
Intangible assets	27	420,138	409,261
Goodwill		3,997	3,997
Deferred tax assets		—	19
Other assets	29	1,460,519	1,281,536
Total assets		27,322,985	26,341,096
EQUITY AND LIABILITIES			
Equity			
Share capital	30	1,469,813	1,469,813
Reserves	31	16,705,149	16,642,673
Accumulated losses		(2,585,909)	(2,680,447)
Total equity attributable to equity owners of the Company		15,589,053	15,432,039
Non-controlling interests		960,273	1,042,634
Total equity		16,549,326	16,474,673
Liabilities			
Borrowings		44,377	59,716
Lease liabilities		456,058	—
Securities sold under agreements to repurchase	32	3,022,880	2,552,928
Premium received in advance		114,007	111,736
Reinsurance payables		179,492	355,271
Income tax payable		—	927
Insurance contract liabilities	33	5,381,050	5,327,116
Deferred tax liabilities	28	—	—
Contract liabilities		15,871	15,205
Other liabilities	34	1,559,924	1,443,524
Total liabilities		10,773,659	9,866,423
Total equity and liabilities		27,322,985	26,341,096

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	For the six months ended 30 June 2019 (unaudited)								
	Attributable to owners of the Company								
		Reserves							
	Share capital	Capital reserves	Other reserves due to share-based payment	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
At 31 December 2018	1,469,813	16,596,375	38,400	7,763	135	(2,680,447)	15,432,039	1,042,634	16,474,673
Total comprehensive income	—	—	—	61,578	5,279	94,538	161,395	(55,383)	106,012
Issue of preference shares 6(b)(i)	—	—	—	—	—	—	—	342,048	342,048
Capital injection	—	—	—	—	—	—	—	35,841	35,841
Share buybacks 6(b)(ii)	—	(4,381)	—	—	—	—	(4,381)	(313,238)	(317,619)
Deconsolidation of subsidiary 6(b)(iii)	—	—	—	—	—	—	—	(91,629)	(91,629)
At 30 June 2019	**1,469,813**	**16,591,994**	**38,400**	**69,341**	**5,414**	**(2,585,909)**	**15,589,053**	**960,273**	**16,549,326**

	For the six months ended 30 June 2018 (unaudited)								
	Attributable to owners of the Company								
		Reserves							
	Share capital	Capital reserves	Other reserves due to share-based payment	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
At 31 December 2017	1,469,813	16,596,375	37,620	(38,248)	(2,095)	(936,552)	17,126,913	143,783	17,270,696
Total comprehensive income	—	—	—	10,543	763	(655,832)	(644,526)	(10,253)	(654,779)
Capital injection	—	—	—	—	—	—	—	50,000	50,000
Share-based payments	—	—	599	—	—	—	599	—	599
At 30 June 2018	1,469,813	16,596,375	38,219	(27,705)	(1,332)	(1,592,384)	16,482,986	183,530	16,666,516

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
OPERATING ACTIVITIES			
Cash used in operating activities	35	(644,612)	(282,936)
Net cash outflow from operating activities		(644,612)	(282,936)
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(121,102)	(150,057)
Proceeds from sale of property and equipment, intangible assets and other assets		211	46
Proceeds from deconsolidation of subsidiary		(28,692)	—
Purchases of investments, net		(609,647)	(4,716,268)
Acquisition of an associate, net		(17,273)	—
Dividends and others received from investments		811,756	482,405
Net cash inflow/(outflow) from investing activities		35,253	(4,383,874)
FINANCING ACTIVITIES			
Proceeds from borrowings, net		(15,339)	50,000
Proceeds from issues of preference shares		342,048	—
Securities sold under agreements to repurchase, net		419,664	1,410,193
Proceeds from capital injection of non-controlling interests		35,841	50,000
Proceeds from share buybacks		(317,619)	(7,995)
Net cash inflow from financing activities		464,595	1,502,198
Effects of exchange rate changes on cash and cash equivalents		12,556	624
Net decrease in cash and cash equivalents		(132,208)	(3,163,988)
Cash and cash equivalents at the beginning of period		2,426,829	5,260,259
Cash and cash equivalents at the end of period		2,294,621	2,096,271

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

1. GENERAL INFORMATION

Approved by the original China Insurance Regulatory Commission (the "CIRC") of the People's Republic of China (the "PRC"), ZhongAn Online P & C Insurance Co., Ltd. (the "Company") is a joint stock company established on 9 October 2013.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in Insuretech business, which provides internet insurance services and insurance information technology services to customers.

The Company became listed on the Main Board of the Stock Exchange of Hong Kong on 28 September 2017, and its stock code is 6060.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs").

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of amended or improved standards and interpretations as of 1 January 2019 as described below. The adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC 23)	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

HKFRS 16, 'Lease'. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policy and disclosures (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. On 1 January 2019, the Group recognized the right-of-use assets of RMB 468,646 thousand and the lease liabilities of RMB 490,399 thousand.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC 4)-Int 4 Determining whether an Arrangement contains a Lease.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. The only exceptions are short-term and low-value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The Group shall apply HKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The practical expedients applied has no significant impact on the Group's financial statements.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

The difference between the operating lease commitments disclosed as at 31 December 2018 discounted using the lessee's incremental borrowing rate of at the date of initial application and the lease liabilities as at 1 January 2019 is the short-term leases and the low-value leases recognised on a straight-line basis as expense.

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

3.2 Impact of standards issued but not yet applied

HKFRS 9 and HKFRS 4 Amendments

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually used for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group is defined as an insurer with its activities predominantly connected with insurance. The Group will not adopt the HKFRS 9 until 1 January 2022.

Financial assets meeting Solely for Payment of Principal and Interest (SPPI) test are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

Additional disclosures of financial assets listed in financial assets at fair value through profit or loss, available-for-sale financial assets, investments classified as loans and receivables are as follows:

	As at 30 June 2019 Fair value	2019 Change in the fair value
Financial assets held for trading (A)	8,139,217	108,207
Financial assets managed and whose performance evaluated on a fair value basis (B)	—	—
Financial assets other than A or B		
– Financial assets meet SPPI (C)	7,501,089	(40,238)
– Financial assets not meet SPPI	2,158,038	53,555
Total	17,798,344	121,524

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

3.2 Impact of standards issued but not yet applied (continued)

HKFRS 9 and HKFRS 4 Amendments (continued)

Credit risk rating grades of financial assets meet SPPI(C)	As at 30 June 2019 Carrying amounts
AAA	6,308,316
AA+	1,026,544
AA	145,365
C	20,864
Total	7,501,089

	As at 30 June 2019	
	Carrying amounts	Fair value
Financial assets not have low credit risk	20,864	20,864

Except for the above assets, other financial assets other than cash held by the Group, including securities purchased under agreements to resell, loans and advances to customers, term deposits, restricted statutory deposits, etc., are financial assets, which meet the SPPI conditions. The carrying amounts are close to their fair value.

HKFRS 17

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. However an exposure draft of proposed amendments was published on 26 June 2019. According to this amendments, the International Accounting Standards Board ("IASB") proposed to defer IFRS17 until the financial period beginning on or after 1 January 2022. The Board had also proposed to extend to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The impact is expected to be significant. However, it won't have impact on the Group until be adopted.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. CHANGE IN ACCOUNTING ESTIMATES

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, expense assumptions, loss ratios and risk margin based on information currently available as at the statement of financial position date.

As at 30 June 2019, the Group used information currently available to redetermine the risk margin assumptions and the impact of this change was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities as at 30 June 2019 by approximately RMB29 million and an decrease in profit before tax for the six months ended 30 June 2019 by approximately RMB29 million.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Group has determined the management team represented by the Chief Executive Officer as its chief operating decision maker.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the Group's financial statements and those used in preparing the operating segment information.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Groups operating segments are listed as follows:

- The Insurance segment offers a wide range of online P&C insurance business;
- The Technology segment provides IT related business to its customers;
- The Others segment includes entities other than the insurance segment and the technology segment, which provides virtual banking, insurance brokerage, bio technology services, and etc.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the Group's financial statements and those used in preparing the operating segment information.

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

5. SEGMENT INFORMATION (Continue)

Segment income statement for the six months ended 30 June 2019

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	5,900,508	—	—	(3,429)	5,897,079
Less: Premiums ceded to reinsurers	(101,479)	—	—	—	(101,479)
Net change in unearned premium reserves	118,684	—	—	(970)	117,714
Net premiums earned	5,917,713	—	—	(4,399)	5,913,314
Net Investment income	695,080	19	11,863	4,531	711,493
Net fair value changes through profit or loss	110,987	—	—	—	110,987
Other revenues and other gains	46,565	104,635	50,974	(38,423)	163,751
Segment income	6,770,345	104,654	62,837	(38,291)	6,899,545
Net claims incurred	(3,778,687)	—	—	1,412	(3,777,275)
Handling charges and commissions	(450,083)	—	—	12,895	(437,188)
Foreign exchange gains/(losses)	(66)	(239)	2,403	107	2,205
Finance costs	(43,969)	(5,451)	(868)	—	(50,288)
General and administrative expenses	(2,196,712)	(56,501)	(103,045)	26,916	(2,329,342)
Share of net loss of associates for using the equity method	(600)	(11,812)	(1,532)	(330)	(14,274)
Other expenses	(1,061)	(192,010)	(85,305)	358	(278,018)
Segment expenses	(6,471,178)	(266,013)	(188,347)	41,358	(6,884,180)
Profit/(Loss) before income tax	299,167	(161,359)	(125,510)	3,067	15,365
Income tax	20,526	(1,113)	(695)	—	18,718
Net profit/(loss)	319,693	(162,472)	(126,205)	3,067	34,083

Segment balance sheet at 30 June 2019

	Insurance	Technology	Others	Eliminations	Total
Segment assets	26,645,752	1,244,539	1,242,223	(1,809,529)	27,322,985
Segment liabilities	(10,309,738)	(442,537)	(248,114)	226,730	(10,773,659)
Segment equity	(16,336,014)	(802,002)	(994,109)	1,582,799	(16,549,326)

5. SEGMENT INFORMATION (Continue)

Segment income statement for the six months ended 30 June 2018

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	5,154,414	—	—	(6,249)	5,148,165
Less: Premiums ceded to reinsurers	(271,170)	—	—	—	(271,170)
Net change in unearned premium reserves	(1,260,238)	—	—	3,221	(1,257,017)
Net premiums earned	3,623,006	—	—	(3,028)	3,619,978
Net Investment income	649,731	369	2,389	(9,669)	642,820
Net fair value changes through profit or loss	(287,095)	—	—	141	(286,954)
Share of net profits/(loss) of associates for using the equity method	10,306	(1,653)	(1,653)	—	7,000
Other revenues and other gains	49,040	35,694	7,414	(1,019)	91,129
Segment income	4,044,988	34,410	8,150	(13,575)	4,073,973
Net claims incurred	(1,965,637)	—	—	4,719	(1,960,918)
Handling charges and commissions	(525,912)	—	—	—	(525,912)
Foreign exchange gains/(losses)	490	(1,363)	—	—	(873)
Finance costs	(15,597)	—	—	—	(15,597)
General and administrative expenses	(2,022,748)	—	—	1,019	(2,021,729)
Other expenses	(12,830)	(189,068)	(12,744)	(4,635)	(219,277)
Segment expenses	(4,542,234)	(190,431)	(12,744)	1,103	(4,744,306)
Loss before income tax	(497,246)	(156,021)	(4,594)	(12,472)	(670,333)
Income tax	3,514	—	—	—	3,514
Net loss	(493,732)	(156,021)	(4,594)	(12,472)	(666,819)

Segment balance sheet at 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Segment assets	25,645,358	792,643	1,574,919	(1,671,824)	26,341,096
Segment liabilities	(9,690,614)	(336,149)	(167,172)	327,512	(9,866,423)
Segment equity	(15,954,744)	(456,494)	(1,407,747)	1,344,312	(16,474,673)

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As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

6. SUBSIDIARIES

(a) The Company's subsidiaries as at 30 June 2019 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Technology") (a)	Shanghai, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB 1,400,000	100.00%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker")	Guangzhou, The PRC	Guangzhou, The PRC	Insurance Broker	RMB 100,000	100.00%	Set-up
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou, The PRC	Hangzhou, The PRC	Technology Development/ Technology Consulting	RMB 3,000	100.00%	Equity Purchase
Beijing Youwozai Technology Beijing Co., Ltd ("Beijing Youwozai")	Beijing, The PRC	Beijing, The PRC	Technology Development/ Technology Consulting	RMB 1,000	60.00%	Set-up
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences") (b)	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	RMB 100,000	70.00%	Set-up
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo") (c)	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB 7,010	100.00%	Equity Purchase
ZhongAn Technologies International Group Limited ("ZhongAn International")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB 110,000	51.00%	Set-up
ZhongAn Medical Technology (HaiNan) Co., Ltd ("ZhongAn Medical Technology") (d)	Hainan, The PRC	Hainan, The PRC	Online Medical Service	RMB 5,000	70.00%	Set-up
Hebei Xiongan ZhongAn Financial Service Information Technology Limited Company ("Hebei Xiongan Information") (e)	Hebei, The PRC	Hebei, The PRC	Technology Development/ Technology Consulting	RMB 3,000	100.00%	Set-up
ZA Technology Services Ltd. (ZA Technology)(f)	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB 66,700	38.41%	Set-up

6. SUBSIDIARIES (Continue)

(a) The Company's subsidiaries as at 30 June 2019 are as follows: (Continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
ZA Tech Global Limited ("ZA Tech Global") (g)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 10	24.99%	Set-up
ZA Life Limited ("ZA Life") (h)	Hong Kong, The PRC	Hong Kong, The PRC	Life Insurance	HKD 1	33.15%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (i)	Hong Kong, The PRC	Hong Kong, The PRC	Investment holding	HKD 1,000,000	51.00%	Set-up
ZA Care Limited (ZA Care) (j)	Hong Kong, The PRC	Hong Kong, The PRC	Health Care	—	51.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman")	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD 50	24.99%	Set-up
ZA Tech Japan LLC ("ZA Japan")	Tokyo, Japan	Tokyo, Japan	Technology Development/ Technology Consulting	JPY 20,000	24.99%	Set-up
ZA Tech Global (Singapore) PTE. LTD. ("ZA Tech Singapore") (k)	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	24.99%	Set-up
ZA Bank Limited (formerly known as ZhongAn Virtual Finance Limited) ("ZA Bank")	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Finance	HKD 1,000,000	51.00%	Set-up

(a) On 22 January 2019, 8 April 2019 and 17 June 2019, the Company respectively injected RMB100,000 thousand, RMB100,000 thousand and RMB300,000 thousand separately into ZhongAn Technology, increasing its registered capital to RMB1,400,000 thousand. The Company holds 100% voting rights of ZhongAn Technology.

(b) On 1 April 2019, Shanghai Shulu Enterprise Management Center LLP. subscribed 30% equity of ZhongAn Life Sciences by RMB30,000 thousand pursuant to the equity transfer agreement with ZhongAn Life Sciences. After this transaction, ZhongAn Technology holds 70% of the voting rights of ZhongAn Life Sciences.

(c) On 1 March 2019, ZhongAn Technology injected RMB2,010 thousand into Shanghai Lianmo, increasing its registered capital to RMB7,010 thousand. ZhongAn Technology holds 100% of the voting rights of Shanghai Lianmo.

(d) On 12 March 2019, ZhongAn Technology together with Shenzhen Guanghuayuanjing Investment Limited Company set up ZhongAn Medical Technology, with registered capital of RMB5,000 thousand. ZhongAn Technology holds 70% of the voting rights of ZhongAn Medical Technology.

(e) On 13 May 2019, ZhongAn Technology injected registered capital of RMB3,000 thousand into Hebei Xiongan Information. ZhongAn Technology holds 100% of the voting rights of Hebei Xiongan Information.

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As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries as at 30 June 2019 are as follows: (continued)

(f) On 27 February 2019, ZhongAn Technology set up ZA Technology, with registered capital of USD 1. ZhongAn Technology holds 100% of the voting rights of ZA Technology.

(g) On 29 March 2019, ZhongAn International together with SVF Zen JVCO (Singapore) Pte. Ltd. injected USD 9,999 thousand into ZA Tech Global, amongst which ZhongAn International injected USD 4,899 thousand and SVF Zen JVCO (Singapore) Pte. Ltd. Injected USD 5,100 thousand. After this transaction, ZhongAn International holds 49% of the ownership interest of ZA Tech Global and has the right to appoint a majority of the board of directors and management. Thus, ZhongAn Technology control ZA Tech Global through ZhongAn International and holds 24.99% of the ownership interest of ZA Tech Global.

(h) On 27 February 2019, ZhongAn International together with a third party set up ZA Life, with registered capital of HKD 1 thousand. ZhongAn International holds 65% of the voting rights of ZA Life, and ZhongAn Technology holds 33.15% of the ownership interest of ZA Life through ZhongAn International.

(i) On 4 February 2019, ZhongAn International bought back 35% of the equity of ZA Financial from the counter party. As a result, ZhongAn International holds 100% of the voting rights of ZA Financial, and ZhongAn Technology holds 100% of the voting rights of ZA Financial through ZhongAn International.

(j) On 23 May 2019, ZhongAn International set up ZA Care, which is a Non-Governmental Organization. ZhongAn International holds 100% of the voting rights of ZA Care and ZhongAn Technology holds 100% of the voting rights of ZA Care through ZhongAn International.

(k) On 16 April 2019, ZA Tech Global set up ZA Tech Singapore, with registered capital of HKD 1,000 thousand. ZA Tech Global holds 100% of the voting rights of ZA Tech Singapore. ZhongAn Technology has control over ZA Tech Singapore through ZA Tech Global.

(b) Non-controlling interests

Changes in non-controlling interests:

	ZhongAn Microloan	ZhongAn International	Ningbo Haoyin	ZhongAn Medical Technology	ZhongAn Life Sciences	Total
At 31 December 2018	91,334	921,877	29,423	—	—	1,042,634
Total comprehensive income	295	(53,394)	(951)	(33)	(1,300)	(55,383)
Issue of preference shares (i)	—	342,048	—	—	—	342,048
Capital injection	—	34,341	—	1,500	—	35,841
Share buybacks (ii)	—	(313,238)	—	—	—	(313,238)
Deconsolidation of subsidiaries (iii)	(91,629)	—	—	—	—	(91,629)
At 30 June 2019	—	931,634	28,472	1,467	(1,300)	960,273

(i) On 4 February 2019, Warrior Treasure Limited ("Warrior") injected RMB342,048 thousand into ZhongAn International, in consideration for redeemable preference shares.

(ii) On 4 February 2019, ZhongAn International bought back 35% of the equity of ZA Financial from the counter party. As a result, ZhongAn International holds 100% of the equity of ZA Financial, and the non-controlling interests of ZhongAn International decreased by RMB 313,238 thousand.

(iii) On 31 May 2019, China Telecom BestPay Co., Ltd. injected RMB210,000 thousand into ZhongAn Microloan. As a result, ZhongAn Technology decreased its percentage of equity of ZhongAn Microloan from 70% to 41.18% and the non-controlling interests of ZhongAn Microloan decreased by RMB 91,629 thousand.

6. SUBSIDIARIES (continued)

(c) As at 30 June 2019, consolidated structured entities material to the Group are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn TaiKang Asset Management Plan	100%	5,857,720	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100%	4,253,288	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
E Fund ZhongAn Insurance No.1 Asset Management Plan	100%	400,000	Asset Management Product
China Universal Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	201,342	Asset Management Product
ZhongAn TaiPing Asset Management Plan	100%	76,421	Asset Management Product
China Southern Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	3,619	Asset Management Product
Harvest Fund ZhongAn Insurance No.1 Asset Management Plan	100%	80	Asset Management Product

7. NET PREMIUMS EARNED

	Six months ended 30 June	
	2019	2018
Gross written premiums	5,897,079	5,148,165
– Property and casualty insurance written premiums	3,753,866	2,955,832
– Short-term life insurance written premiums	2,143,213	2,192,333
Less: Premiums ceded to reinsurers	(101,479)	(271,170)
Net written premiums	5,795,600	4,876,995
Less: Net change in unearned premium reserves	117,714	(1,257,017)
Net premiums earned	5,913,314	3,619,978

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As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

8. NET INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
Interest and Dividend income		
– Bond investments	**254,259**	209,405
– Wealth management products	**65,470**	80,978
– Bank deposits	**40,441**	17,669
– Fund investment	**18,658**	62,391
– Equity investment	**13,755**	20,976
– Securities purchased under agreements to resell	**5,624**	15,926
Realized gain, net	**313,286**	235,475
	711,493	642,820

9. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2019	2018
Financial assets designated at fair value through profit or loss		
– Equity investments	**80,277**	(285,054)
– Fund investments	**18,987**	(16,141)
– Wealth management products	**11,868**	(1,856)
– Debt investments	**(145)**	16,097
	110,987	(286,954)

10. NET CLAIMS INCURRED

	Six months ended 30 June	
	2019	2018
Insurance claims paid	**3,670,282**	1,849,499
– Property and casualty insurance claims paid	**2,926,356**	1,475,483
– Short-term life insurance claims paid	**743,926**	374,016
Less: Claims paid ceded to reinsurers	**(85,104)**	(64,902)
Net claims paid	**3,585,178**	1,784,597
Add: Net change in insurance contract liabilities	**192,097**	176,321
	3,777,275	1,960,918

11. HANDLING CHARGES AND COMMISSIONS

	Six months ended 30 June	
	2019	2018
Handling charges and commissions before reinsurance arrangement	**440,894**	631,297
Less: Reinsurance expense recovered	**(3,706)**	(105,385)
Handling charges and commissions	**437,188**	525,912

12. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2019	2018
Consulting fee and service charge	**1,283,438**	1,255,581
Employee benefit expense	**494,488**	350,664
Advertising costs	**90,943**	87,956
Impairment loss	**60,814**	15,639
Depreciation of right-of-use assets	**50,855**	—
Amortisation of intangible assets	**41,502**	33,030
Taxes and surcharges	**25,824**	26,152
Depreciation of Property, plant and equipment	**17,681**	12,423
Auditors' remuneration	**6,000**	3,600
Rental fees	**4,612**	47,540
Other	**253,185**	189,144
General and administrative expenses	**2,329,342**	2,021,729

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

13. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2019	2018
Current income tax	1,808	—
Deferred income tax (note 28)	(20,526)	(3,514)
	(18,718)	(3,514)

(b) Reconciliation of tax expense

A reconciliation of the tax expense applicable to profit before income tax using the applicable income tax rate to the tax expense at the Group's effective tax rate is as follows:

	Six months ended 30 June	
	2019	2018
Profit/(loss) before income tax	15,365	(670,333)
Tax computed at the statutory tax rate	31,017	(149,089)
Adjustments to income tax in respect of previous periods	(22,701)	(3,720)
Income not subject to tax	(4,243)	(10,687)
Expenses not deductible for tax	784	2,129
Tax losses for which no deferred tax asset was recognised	46,443	157,853
Recognition of accumulated taxable losses	(70,018)	—
Income tax credit at the Group's effective rate	(18,718)	(3,514)

14. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
Available-for-sale financial assets		
Fair value change on available-for-sale financial assets	73,195	605
Reclassification adjustments for amounts transferred to profit or loss	8,909	13,452
Income tax relating to available-for-sale financial assets	(20,526)	(3,514)
Exchange differences on translation of foreign operations	10,351	1,497
Other comprehensive income	71,929	12,040

15. PROFIT/LOSS PER SHARE

Basic profit/loss per share is calculated by dividing net profit/loss for the period by the weighted average number of shares in issue during the period. Diluted profit/loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of profit/loss per share is based on the following:

	Six months ended 30 June	
	2019	2018
Net profit/(loss) for the period attributable to owners of the Company	94,538	(655,832)
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic profit/(loss) per share (RMB yuan)	0.06	(0.45)
Diluted profit/(loss) per share (RMB yuan)	0.06	(0.45)

The Company had no dilutive potential shares as at 30 June 2019 and 2018.

16. CASH AND CASH EQUIVALENTS

	At 30 June 2019	At 31 December 2018
Deposits with original maturity of no more than three months	2,096,638	2,360,898
Other monetary assets (a)	197,983	65,931
	2,294,621	2,426,829

(a) Other monetary assets refer to funds deposited by the Group for daily business operations and investment activities.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All the Group's financial assets at fair value through profit or loss are as follows:

	At 30 June 2019	At 31 December 2018
Listed		
– Debt investments	1,578,173	2,410,420
– Equity investments	125,244	479,074
– Fund investments	—	73,823
Unlisted		
– Debt investments	3,479,793	4,064,434
– Wealth management products	2,260,847	1,585,465
– Fund investments	695,160	674,868
	8,139,217	9,288,084

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Net fair value changes through profit or loss' in the interim condensed consolidated statement of comprehensive income.

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

18. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	At 30 June 2019	At 31 December 2018
Securities - bonds		
– Traded in stock exchange	314,000	377,900
– Traded in inter-bank market	219,395	660,987
	533,395	1,038,887

19. INTEREST RECEIVABLES

	At 30 June 2019	At 31 December 2018
Debt investments	240,056	316,818
Bank deposits	26,992	32,840
Loans	10,184	33,398
Securities purchased under agreements to resell	72	1,019
Less: Impairment provisions	(6,180)	(6,180)
	271,124	377,895

20. PREMIUM RECEIVABLES

	At 30 June 2019	At 31 December 2018
Premium receivables	2,103,359	2,048,419
Provision for impairment of premium receivables	(58,301)	(11,133)
	2,045,058	2,037,286

21. REINSURANCE DEBTORS

	At 30 June 2019	At 31 December 2018
Reinsurance debtors	187,859	287,379
Provision for impairment of reinsurance debtors	—	—
	187,859	287,379

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	At 30 June 2019	At 31 December 2018
Listed		
– Debt investments	2,662,808	1,627,363
– Equity investments	1,378,459	288,646
– Fund investments	99,673	80,602
Unlisted		
– Debt investments	3,783,378	3,849,733
– Fund investments	330,045	634,634
– Wealth management products	324,411	145,792
– Equity investments	25,450	25,180
Less: Impairment provisions	(79,136)	(79,136)
	8,525,088	6,572,814

Notes to the Interim Condensed Consolidated Financial Information

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(All amounts expressed in RMB thousand unless otherwise specified)

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	At 30 June 2019	At 31 December 2018
Trust investment scheme	1,134,039	597,069

As at 30 June 2019, the underlying loan assets of the trust investment schemes were neither pass due nor impaired. After considering the creditability of each of the counterparties and the collateral or guarantee obtained, no impairment was provided for such loan assets.

24. RESTRICTED STATUTORY DEPOSITS

	At 30 June 2019	At 31 December 2018
At the beginning of the period	293,963	248,125
Addition	—	45,838
At the end of the period	293,963	293,963

In accordance with relevant provision of Insurance Law of the PRC, the Company should place 20% of its share capital as restricted statutory deposits.

	As at 30 June 2019		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	100,000	Term deposit	3 years
China Everbright Bank	48,125	Term deposit	1 years
Total	293,963		

	As at 31 December 2018		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	100,000	Term deposit	3 years
China Everbright Bank	48,125	Term deposit	1 years
Total	293,963		

25. INVESTMENTS IN ASSOCIATES

	At 1 January 2019	Additions	Share of profit/(loss)	Transfer in due to subsidiary disposal	At 30 June 2019
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu")	316,753	—	(453)	—	316,300
ZA-CP Network Technology (Shanghai) Co., Ltd. (the "ZA-CP")	9,689	—	(1,532)	—	8,157
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)")	7,111	—	(2,289)	—	4,822
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. (the "Shenzhen Small and Medium")	5,812	—	(147)	—	5,665
Shanghai Nuanwa Technology Co., Ltd. (the"Shanghai Nuanwa") (a)	3,227	35,121	(10,008)	—	28,340
Shanghai Xiaojia Financial Technology Service Co., Ltd. (the "Shanghai Xiaojia") (b)	2,244	2,400	12	(2,244)	2,412
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan") (c)	—	—	143	209,911	210,054
A3 Holdings Inc. (the "A3 Holdings") (d)	—	16,833	—	—	16,833
	344,836	54,354	(14,274)	(207,667)	592,583

(a) On 30 April 2019, ZhongAn Technology together with Shanghai Longhao Enterprise Management Center LLP. signed an capital injection agreement, ZhongAn Technology injected a total number of cash and non-monetary assets, valued at RMB35,681 thousand. ZhongAn Technology retained 44% voting rights of Shanghai Nuanwa.

(b) On 1 January 2019, the investment of Shanghai Xiaojia was held by ZhongAn Microloan, a subsidiary the Group lost control of in May 2019. On 20 June 2019, ZhongAn Technology purchased the investment of Shanghai Xiaojia from ZhongAn Microloan at the price of RMB2,400 thousand. ZhongAn Technology acts as a shareholder with 1 designated director out of 5 in the board of directors.

(c) On 31 May 2019, China Telecom BestPay Co., Ltd. injected RMB210,000 thousand into ZhongAn Microloan. As a result, ZhongAn Technology decreased its voting rights of ZhongAn Microloan from 70% to 41.18%, and investment loss of RMB 3,147 thousand was recognized due to this transaction.

(d) On 15 March 2019, ZA International injected HKD 19,623.75 thousand into A3 Holdings. As a result, ZA International obtained 40% of the voting rights of A3 Holdings, and ZhongAn Technology holds 40% of the voting rights of A3 Holdings through ZA International. ZA International acts as a shareholder with 2 out of 5 seats on the board of A3 Holdings.

Notes to the Interim Condensed Consolidated Financial Information

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(All amounts expressed in RMB thousand unless otherwise specified)

26. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements and others	Total
Cost					
At 1 January 2019	4,143	52,313	8,895	115,340	180,691
Additions	—	6,183	1,953	37,607	45,743
Disposals	—	(910)	(162)	—	(1,072)
At 30 June 2019	**4,143**	**57,586**	**10,686**	**152,947**	**225,362**
Accumulated depreciation and impairment					
At 1 January 2019	(2,871)	(18,384)	(3,327)	(49,379)	(73,961)
Depreciation charge	(328)	(5,049)	(934)	(35,079)	(41,390)
Disposals	—	372	41	—	413
At 30 June 2019	**(3,199)**	**(23,061)**	**(4,220)**	**(84,458)**	**(114,938)**
Net book value					
At 1 January 2019	1,272	33,929	5,568	65,961	106,730
At 30 June 2019	**944**	**34,525**	**6,466**	**68,489**	**110,424**

27. INTANGIBLE ASSETS

	Software	Patent	Other	Total
Cost				
At 1 January 2019	569,495	30,100	1,826	601,421
Additions	96,864	—	—	96,864
Disposal	(17,648)	—	—	(17,648)
At 30 June 2019	**648,711**	**30,100**	**1,826**	**680,637**
Accumulated amortization and impairment				
At 1 January 2019	(190,967)	(1,003)	(190)	(192,160)
Amortization	(55,880)	(1,505)	(91)	(57,476)
Impairment	(11,751)	—	—	(11,751)
Disposal	888	—	—	888
At 30 June 2019	**(257,710)**	**(2,508)**	**(281)**	**(260,499)**
Carrying amount				
At 1 January 2019	378,528	29,097	1,636	409,261
At 30 June 2019	**391,001**	**27,592**	**1,545**	**420,138**

28. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	At 30 June 2019	At 31 December 2018
Net deferred income tax liabilities, at the beginning of period	**19**	—
Recognized in profit or loss	**20,507**	15,355
Recognized in other comprehensive income	**(20,526)**	(15,336)
Net deferred income tax assets or liabilities, at the end of period	**—**	19

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 30 June 2019	At 31 December 2018
Deferred income tax assets/(liabilities)		
Accumulated taxable losses	**363,457**	288,152
Insurance contract liabilities	**77,446**	83,565
Impairment loss provision	**28,205**	13,608
Amortisation of intangible assets	**21,634**	15,086
Employee Stock Ownership Plan	**9,600**	9,600
Unrealized gains of structured entities	**(445,896)**	(403,668)
Net fair value adjustment on financial assets carried at fair value through profit or loss	**(27,052)**	695
Net fair value adjustment on available-for-sale financial assets	**(23,113)**	(2,587)
Share of net profit of associates and joint ventures accounted for using the equity method	**(4,281)**	(4,432)
Net deferred income tax assets or liabilities	**—**	19
Represented by		
Deferred tax assets	**500,342**	408,119
Deferred tax liabilities	**(500,342)**	(408,100)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 30 June 2019, the Group did not recognise deferred income tax assets of RMB 602,930 thousand (31 December 2018: RMB 626,524 thousand) in respect of losses amounting to RMB 2,726,848 thousand (31 December 2018: RMB 2,723,217 thousand) that can be carried forward against future taxable income.

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

29. OTHER ASSETS

	At 30 June 2019	At 31 December 2018
Coinsurance expense to be reimbursed	589,561	375,294
Subrogation receivable	457,677	342,516
Advanced payment	193,391	337,012
Deposits	56,160	82,371
Estimate of input tax	52,334	50,754
Assets recognised from costs to fulfil a contract	19,798	20,469
Others	91,598	73,120
	1,460,519	1,281,536

30. SHARE CAPITAL

	At 30 June 2019	At 31 December 2018
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

31. RESERVES

The amounts of the Group's reserves and the movements therein during the period are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premium from issuance of shares.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the articles of association of the Company, the Company is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital of the Company's retained profits. Since the Company does not have net profit at its company level instead of Group level, no reserve has been retained.

(ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

31. RESERVES (Continue)

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer as capital injection.

Since the Company does not have net profit, no reserve has been retained.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC. The share-based payment reserve records the fair value of the share options of the grant date.

32. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	At 30 June 2019	At 31 December 2018
Securities - bonds		
– Traded in Inter-bank market	1,779,980	1,160,000
– Traded in stock exchange	1,242,900	1,392,928
	3,022,880	2,552,928

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As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

33. INSURANCE CONTRACT LIABILITIES

	30 June 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	3,617,542	(72,448)	3,545,094
– Claim reserves	1,763,508	(150,319)	1,613,189
	5,381,050	(222,767)	5,158,283
Incurred but not reported claim reserves	827,193	(60,416)	766,777

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	3,785,874	(123,066)	3,662,808
– Claim reserves	1,541,242	(120,150)	1,421,092
	5,327,116	(243,216)	5,083,900
Incurred but not reported claim reserves	650,435	(56,228)	594,207

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2019	3,785,874	(123,066)	3,662,808
Premium written	5,897,079	(101,479)	5,795,600
Premium earned	(6,065,411)	152,097	(5,913,314)
At 30 June 2019	3,617,542	(72,448)	3,545,094

33. INSURANCE CONTRACT LIABILITIES (Continue)

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2019	1,541,242	(120,150)	1,421,092
Claims incurred	3,892,548	(115,273)	3,777,275
Claims paid	(3,670,282)	85,104	(3,585,178)
At 30 June 2019	1,763,508	(150,319)	1,613,189

34. OTHER LIABILITIES

	At 30 June 2019	At 31 December 2018
Consulting fee and service charge payable	426,298	431,488
Salary and staff welfare payable	225,405	293,631
Claims payable	203,396	165,130
Commission and brokerage payable	129,295	157,316
Tax payable other than income tax	43,817	34,571
Insurance guarantee fund	24,678	54,336
Deposit payable	18,799	19,522
Deferred income	4,087	3,403
Rental payable	3,915	12,443
Others	480,234	271,684
	1,559,924	1,443,524

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2019
(All amounts expressed in RMB thousand unless otherwise specified)

35. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from loss before income tax to cash used in operating activities:

	Six months ended 30 June	
	2019	2018
Profit/(loss) before tax	15,365	(670,333)
Provisions for asset impairment	60,814	20,993
Net Investment income	(711,493)	(642,820)
Net fair value changes through profit or loss	(110,987)	286,954
Depreciation of property and equipment	41,390	14,423
Amortization of intangible assets	57,476	31,678
Amortization of right-of-use assets	50,855	—
Exchange gain or loss	(2,205)	873
Finance costs	50,288	15,597
Expense recognized for share-based payments	—	599
Change in premium receivables	(7,772)	(916,954)
Change in reinsurance assets	99,520	(140,090)
Amortisation of deferred income	(316)	(316)
Share of loss/gain of associates	14,274	(7,000)
Change in insurance contract liabilities	74,383	1,433,338
Change in other operating receivables	(212,150)	(281,861)
Change in other operating liabilities	(64,054)	571,983
Cash used in operating activities	(644,612)	(282,936)

36. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink") and their subsidiaries and key management personnel were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Financial.

Transactions with key management personnel and the entity controlled or jointly controlled by a person identified as key management personnel ("key management personnel") have been disclosed in Note 36 below. The Group's transaction with related parties are conducted under the ordinary course of business.

(a) Sale of insurance contracts

	Six months ended 30 June	
	2019	2018
Tencent and its subsidiaries	6,597	47
Alibaba and its subsidiaries	928	1,350
Ant Financial and its subsidiaries	671	657
Sinolink and its subsidiaries	337	28,361
Key Management personnel	44	39
	8,577	30,454

36. RELATED PARTY TRANSACTIONS (Continue)

(b) Claim of insurance contracts

	Six months ended 30 June	
	2019	2018
Tencent and its subsidiaries	3,414	1,069
Alibaba and its subsidiaries	1,848	2,313
Ant Financial and its subsidiaries	408	246
Sinolink and its subsidiaries	358	—
Key Management personnel	38	138
	6,066	3,766

(c) Technical service fees

	Six months ended 30 June	
	2019	2018
Ant Financial and its subsidiaries	426,228	238,014
Tencent and its subsidiaries	1,245	3,678
	427,473	241,692

Technical service fees are related to the customer introduction services rendered by Ant Financial and its subsidiaries and Tencent and its subsidiaries.

(d) Asset management fees

	Six months ended 30 June	
	2019	2018
Ping An Insurance and its subsidiaries	7,048	7,874

Asset management fees are related to the asset management services rendered by PingAn Asset Management Company.

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36. RELATED PARTY TRANSACTIONS (Continue)

(e) Fees for purchasing goods and other services

	Six months ended 30 June	
	2019	2018
Alibaba and its subsidiaries	**35,142**	33,030
Tencent and its subsidiaries	**5,536**	8,156
Ant Financial and its subsidiaries	**1,772**	2,971
Key management personnel	**753**	—
	43,203	44,157

Fees for purchasing goods and other services mainly include cloud rental fees and other IT service fees etc.

(f) Interest income

	Six months ended 30 June	
	2019	2018
Ping An Insurance and its subsidiaries	**161**	3,489

(g) Technical service income

	Six months ended 30 June	
	2019	2018
Alibaba and its subsidiaries	**9,187**	—

Technical service income refers to the revenue from Data enquiry service.

(h) Period/year end balance of receivables with related parties

	At 30 June 2019	At 31 December 2018
Ping An Insurance and its subsidiaries (i)	**588,123**	357,568
Tencent and its subsidiaries	**7,943**	122
Alibaba and its subsidiaries	**6,379**	—
	602,445	357,690

(i) The balance came from the auto co-insurance business with Ping An Property and Casualty Insurance Company of China Ltd.

36. RELATED PARTY TRANSACTIONS (Continue)

(i) Period/year end balance of payables with related parties

	At 30 June 2019	At 31 December 2018
Ant Financial and its subsidiaries	**17,264**	—
Alibaba and its subsidiaries	**8,057**	15,185
Ping An Insurance and its subsidiaries	**3,539**	5,184
Tencent and its subsidiaries	**482**	3,264
Sinolink Worldwide and its subsidiaries	**27**	15
	29,369	23,648

(j) Period/year end balance of prepayments to related parties

	At 30 June 2019	At 31 December 2018
Alibaba and its subsidiaries	**29,865**	30,039
	29,865	30,039

(k) Compensation of key management personnel

The compensations paid or payable to key management personnel are shown below:

	Six months ended 30 June	
	2019	2018
Wages, salaries and bonuses	**5,983**	5,581
Pension costs – defined contribution plans	**291**	289
Other social security costs, housing benefits and other employee benefits	**286**	277
Share-based payments	**—**	484
	6,560	6,631

37. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance products. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 30 June 2019, the Group has no major pending litigation as the defendant.

Notes to the Interim Condensed Consolidated Financial Information

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(All amounts expressed in RMB thousand unless otherwise specified)

38. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows, and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows.

	As at 30 June 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	2,294,621	—	—	—	—	2,294,621
Financial assets at fair value through profit or loss	—	1,041,942	3,952,409	939,607	3,081,251	9,015,209
Securities purchased under agreements to resell	—	533,395	—	—	—	533,395
Premium receivables	—	2,045,058	—	—	—	2,045,058
Reinsurance debtors	—	187,859	—	—	—	187,859
Available-for-sale financial assets	—	1,506,023	4,799,527	1,041,934	2,158,038	9,505,522
Investments classified as loans and receivables	—	96,344	940,340	378,650	—	1,415,334
Loans and advances to customers	—	1,200	—	—	—	1,200
Term deposits	—	—	837,300	—	—	837,300
Restricted statutory deposits	—	49,193	276,227	—	—	325,420
Other assets	—	1,439,013	56,160	—	—	1,495,173
Total	2,294,621	6,900,027	10,861,963	2,360,191	5,239,289	27,656,091
Liabilities:						
Securities sold under agreements to repurchase	—	3,022,880	—	—	—	3,022,880
Lease liabilities	—	147,212	335,834	17,663	—	500,709
Borrowing	—	44,377	—	—	—	44,377
Reinsurance payables	—	179,492	—	—	—	179,492
Other liabilities	—	935,124	—	—	18,799	953,923
Total	—	4,329,085	335,834	17,663	18,799	4,701,381

38. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (Continue)

	As at 31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	2,356,829	70,027	—	—	—	2,426,856
Financial assets at fair value through profit or loss	—	1,270,667	4,986,923	1,689,882	2,813,230	10,760,702
Securities purchased under agreements to resell	—	1,038,887	—	—	—	1,038,887
Premium receivables	—	2,026,922	10,363	—	—	2,037,285
Reinsurance debtors	—	287,379	—	—	—	287,379
Available-for-sale financial assets	—	1,303,289	4,068,784	1,039,854	1,174,854	7,586,781
Investments classified as loans and receivables	—	35,250	343,103	389,900	—	768,253
Loans and advances to customers	—	71,295	—	—	—	71,295
Term deposits	—	301,065	837,300	—	—	1,138,365
Restricted statutory deposits	—	49,193	276,227	—	—	325,420
Other assets	—	756,349	82,371	—	—	838,720
Total	2,356,829	7,210,323	10,605,071	3,119,636	3,988,084	27,279,943
Liabilities:						
Securities sold under agreements to repurchase	—	2,552,928	—	—	—	2,552,928
Investment contract liabilities						
Reinsurance payables	—	355,271	—	—	—	355,271
Borrowing	—	59,716	—	—	—	59,716
Other liabilities	—	1,092,396	—	—	19,522	1,111,918
Total	—	4,060,311	—	—	19,522	4,079,833

39. FAIR VALUE MEASUREMENT

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, available-for-sale financial assets, statutory deposits, and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

39. FAIR VALUE MEASUREMENT (Continue)

Determination of fair value and fair value hierarchy (Continue)

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	As at 30 June 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	125,244	—	—	125,244
– Fund investments	695,160	—	—	695,160
– Debt investments	1,578,173	3,479,793	—	5,057,966
– Wealth management products	—	2,260,847	—	2,260,847
Available-for-sale financial assets				
– Equity investments	1,378,459	—	—	1,378,459
– Fund investments	429,718	—	—	429,718
– Debt investments	2,662,808	3,704,242	—	6,367,050
– Wealth management products	—	324,411	—	324,411
– Unlisted equity investments	—	—	25,450	25,450
	6,869,562	9,769,293	25,450	16,664,305
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,134,039	1,134,039

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	479,074	—	—	479,074
– Fund investments	748,691	—	—	748,691
– Debt investments	2,410,420	4,064,434	—	6,474,854
– Wealth management products	—	1,585,465	—	1,585,465
Available-for-sale financial assets				
– Equity investments	288,646	—	—	288,646
– Fund investments	715,236	—	—	715,236
– Debt investments	1,627,363	3,770,597	—	5,397,960
– Wealth management products	—	145,792	—	145,792
– Unlisted equity investments	—	—	25,180	25,180
	6,269,430	9,566,288	25,180	15,860,898
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	597,069	597,069

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39. FAIR VALUE MEASUREMENT (Continue)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

40. SUBSEQUENT EVENT

On 18 July 2019, ZhongAn Technology entered into the share subscription agreement with Sinolink and ZhongAn International, pursuant to which (1) ZhongAn Technology conditionally agreed to subscribe for, and ZhongAn International conditionally agree to allot and issue, an aggregate of 1,020,000,000 new ZhongAn International Ordinary Shares for a total subscription price of RMB 1,000,000,000 payable in cash, and (2) Sinolink conditionally agreed to subscribe for, and ZhongAn International conditionally agree to allot and issue, an aggregate of 980,000,000 new ZhongAn International Ordinary Shares for a total subscription price of RMB 960,784,313.73 payable in cash. Upon final completion, the voting interest held by ZhongAn Technology and Sinolink shall remain 51% and 49%, respectively.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information have been approved and authorized for issue by the directors of the Company on 26 August 2019.

Definitions

"Alipay Insurance"	the insurance business segment under Ant Financial
"Ant Financial"	Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團股份有限公司), a limited liability company incorporated in the PRC (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) and incorporated on October 19, 2000) and one of our substantial shareholders
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bestpay"	China Telecom Bestpay E-commerce Ltd. (天翼電子商務有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Telecom
"Board" or "Board of Directors"	the board of directors of our Company
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Chief Executive(s)"	has the meaning ascribed to it under the Listing Rules
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"Company", "Our Company", "we", "us" or "ZhongAn"	ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a joint stock limited company with limited liability incorporated in the PRC on October 9, 2013
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1, which are subscribed for or credited as paid in RMB
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Grab"	Grab International Inc., a leading O2O platform in Southeast Asia, with which ZhongAn International has formed a joint venture company, Grab Insure
"Group", "we", "our" or "us"	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time
"Guazi"	Guazi (瓜子), a second-hand auto sales platform operated by Chehaoduo Secondhand Auto Broker (Beijing) Co., Ltd. (車好多舊機動車經紀(北京)有限公司), a company incorporated in the PRC
"H Shares"	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are listed on the Main Board of the Stock Exchange, and a "H Share" means any of them
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Financial Reporting Standard"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"iyunbao"	iyunbao.com (i雲保), an online insurance platform operated by Baotong Insurance Agent Co., Ltd. (保通保險代理有限公司), a company incorporated in the PRC
"JPY"	Japanese yen, the lawful currency of Japan

Definitions

"Keywise Fund"	Keywise Greater China Opportunities Master Fund
"Lexin"	LexinFintech Holdings Ltd., a Cayman Islands company, and listed on the NASDAQ Global Market (stock code: LX)
"Listing"	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maodou"	Maodou (毛豆), an auto sales platform operated by Jinmaodou Technology Development (Beijing) Co., Ltd. (金毛豆技術開發 (北京) 有限公司), a company incorporated in the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NTUC Income"	NTUC Income Insurance Co-operative Limited, the largest comprehensive insurer in Singapore
"Ping An Insurance"	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 02318) and the Shanghai Stock Exchange (SSE: 601318), and one of our substantial shareholders
"Ping An P&C"	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance
"PRC" or "China"	the People's Republic of China, but for the purposes of this interim report only, except where the context requires, references in this interim report to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
"Prospectus"	the prospectus of the Company dated September 18, 2017
"RMB" or "Renminbi"	the lawful currency of PRC
"Reporting Period"	the six months ended June 30, 2019
"S$"	Singapore dollars, the lawful currency of Singapore
"Secoo"	Secoo (寺庫), an e-commerce online platform operated by Secoo Holding Limited incorporated in the Cayman Islands
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	the shares in the share capital of our Company with a nominal value of RMB1 each
"Shareholder(s)"	the holders of the Shares
"Sinolink"	Sinolink Worldwide Holdings Limited (百仕達控股有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1168)
"SOMPO"	Sompo Japan Insurance Inc., one of the top three property and casualty insurance companies in Japan
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	members of the supervisory committee of the Company
"Supervisory Committee"	the supervisory committee of the Company established pursuant to the Company Law of the PRC (中華人民共和國公司法)
"Taobao Marketplace"	an e-commerce platform of Alibaba

"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange
"Tencent Computer System"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and a subsidiary of Tencent
"Tmall"	Tmall.com (天貓), an online platform created by Alibaba
"USD"	United State dollars, the lawful currency of the United States of America
"X Financial"	a Cayman Islands company, and listed on the New York Stock Exchange (stock code: XYF)
"ZhongAn International"	ZhongAn Technologies International Group Limited (眾安科技 (國際) 集團有限公司), a subsidiary of our Company, incorporated in Hong Kong on September 22, 2017
"ZhongAn Technology"	ZhongAn Information and Technology Services Co., Ltd. (眾安信息技術服務有限公司), a wholly-owned subsidiary of our Company, incorporated in the PRC on July 7, 2016
"%"	per cent

Glossary

"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more-informed business decisions
"cede"	the transfer of all or part of a risk written by an insurer to a reinsurer
"claim"	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
"commission"	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"customer"	unless otherwise indicated, the insured under our insurance policies. The number of our customers was calculated based on unique identifiers and contact information available to us
"Fintech"	financial technology, make innovations in financial industry through technology
"gross written premiums" or "GWP"	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
"handling charges and commissions"	fees paid to insurance agents for the distribution of our products
"insured"	the insured person as specified in the insurance product
"Insuretech"	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model
"net investment income"	the sum of interest income, dividend income and realized gains or losses on securities through profit or loss and available-for-sale securities
"net premiums earned"	net written premiums less net change in unearned premium reserves during a period
"O2O"	online to offline business model
"premium"	payment and consideration received on insurance policies issued or reissued by an insurance company
"reinsurance"	the practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
"reserves"	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
"SaaS model"	software as a service model
"unearned premium reserves"	portions of written premiums relating to unexpired risk of insurance coverage